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ROYAL COMMISSION ON TRANSPORTATION

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THE ROYAL COMMISSION ON TRANSPORTATION

OTTAWA MAY 2 1949.

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THE ROYAL COMMISSION ON TRANSPORTATION

OTTAWA, MAY 2, 1949.

HON. W.F.A.TURGEON, K.C. LL.D.	Chairman.
HAROLD ADAMS INNIS	Commissioner
HENRY FORBES ANGUS	Commissioner

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G. R. Hunter, Secretary.	P. L. Belcourt, Asst.Secretary.

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R.N.Dickson,C.S.R. - Sworn.

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APPEARANCES

RT. HON. J.L.ILSLEY, K.C.	Counsel to the Commission.
GASTON DESMARAIS, K.C.	Assistant Counsel to the Commission.
R. C. VAUGHAN,	President, Canadian National Railways.
G. A. WALKER, K.C.	Chairman, Canadian Pacific Railway.
H. E. O'DONNELL, K.C. N. J. MacMILLAN, H. C. FRIEL, K.C.	Canadian National Railways.
C.F.H.CARSON, K.C. F.C.S.EVANS, K.C. K.D.M.SPENCE I. D. SINCLAIR	Canadian Pacific Railway.
J. J. FRAWLEY, K.C.	Provinces of Alberta, Saskatchewan, Manitoba, British Columbia.
J. PAUL BARRY	Province of New Brunswick
JOHN J. CONNOLLY	Province of Nova Scotia
J. O. C. CAMPBELL, K.C.	Province of Prince Edward Island.
ERIC G. COOK, K.C.	Province of Newfoundland
W. J. MATTHEWS	Department of Transport
STUART B. BROWN	Canadian Manufacturers' Association.

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MONDAY MAY 2, 1949

10.00 A.M.

THE CHAIRMAN: Mr. Hunter, I will ask you to read the Commission.

MR. HUNTER:

"Alexander of Tunis"

C A N A D A

GEORGE THE SIXTH, by the Grace of God, of Great Britain, Ireland and the British Dominions beyond the Seas KING, Defender of the Faith.

TO ALL TO WHOM THESE PRESENTS shall come or whom the same may in anywise concern

GREETINGS

"F. P. Varcoe"
DEPUTY MINISTER OF JUSTICE, CANADA.

WHEREAS by reason of economic, geographic, and other disadvantages, certain sections of Canada are adversely affected by transportation difficulties and by certain anomalies which are said to be found in the existing tariffs of tolls and rates.

AND WHEREAS it would be in the public interest that an inquiry be made into the matters involved in order that all questions of economic policy within the jurisdiction of Parliament arising out of the operation and maintenance of national transportation, may be examined and reported upon.

AND WHEREAS it is expedient and our Governor

in Council has, by Order P.C. 6033, of the twenty-ninth day of December, in the year of Our Lord one thousand nine hundred and forty-eight (copy of which is hereto annexed) authorized the appointment, under Part I of the Inquiries Act, Chapter 99 of the Revised Statutes of Canada, 1927, of Our Commissioners therein and hereinafter named to inquire into and report upon the said matters, and without limiting the general scope of their inquiry, particularly

(a) to review and report upon the effect, if any, of economic, geographic or other disadvantages under which certain sections of Canada find themselves in relation to the various transportation services therein, and recommend what measures should be initiated in order that the national transportation policy may best serve the general economic well-being of all Canada;

(b) to review the Railway Act with respect to such matters as guidance to the Board in general freight rate revisions, competitive rates, international rates, etc., and recommend such amendments therein as may appear to themto be advisable;

(c) to review the capital structure of the Canadian National Railway Company and report on the advisability, (or otherwise), of establishing and maintaining the fixed charges of that Company on a basis comparable to other major railways in North America;

(d) to review the present-day accounting methods and statistical procedure of railways in Canada, and report upon the advisability of adopting, (or otherwise), measures conducive to uniformity in such matters, and upon other related problems such as depreciation accounting, the segregation of assets, revenues and other incomes, etc., as between railway and non-railway items;

(e) to review and report on the results achieved under The Canadian National-Canadian Pacific Act, 1933, and amendments thereto, making such recommendations as the present situation warrants;

(f) to report upon any feature of the Railway Act, (or railways legislation generally) that might advantageously be revised or amended in view of present-day conditions.

NOW KNOW YE that by and with the advice of our Privy Council for Canada, We do by these Presents nominate, constitute and appoint the Honourable W. F. A. Turgeon, K.C., LL.D., a member of Our Privy Council for Canada; Henry Forbes Angus, Esquire, Professor of Economics, University of British Columbia, of the City of Vancouver, in the Province of British Columbia, and Harold Adams Innis, Esquire, Professor of Political Economy, University of Toronto, of the City of Toronto, in the Province of Ontario, to be our Commissioners to hold and conduct such inquiry.

TO HAVE, HOLD, EXERCISE and ENJOY the said office, place and trust unto the said W.F.A.Turgeon,

Henry Forbes Angus and Harold Adams Innis together with the rights, powers, privileges and emoluments unto the said office, place and trust, of right and by law appertaining, and as are more particularly set out in the said Order in Council, during Our pleasure.

And We do hereby authorize Our said Commissioners to have, exercise and enjoy all the powers conferred upon them by the said Inquiries Act.

And We do hereby require and direct Our said Commissioners to report to Our Governor in Council the result of their investigations, together with the evidence taken before them and any recommendations which they may see fit to make in the circumstances.

And We do further appoint the said the Honourable W.F.A. Turgeon to be Chairman of Our said Commission.

IN TESTIMONY WHEREOF We have caused these Our Letters to be made Patent and the Great Seal of Canada to be hereunto affixed.

WITNESS: Our Right Trusty and Well-beloved Cousin, Harold Rupert Leofric George, Viscount Alexander of Tunis, Knight of Our Most Noble Order of the Garter, Knight Grand Cross of Our Most Honourable Order of the Bath, Knight Grand Cross of Our Most Distinguished Order of Saint Michael and Saint George, Companion of Our Most Exalted Order of the Star of India, Companion of Our Distinguished Service Order, upon whom has been conferred the Decoration of the

Military Cross, Field Marshal in our Army, Governor General and Commander-in-Chief of Canada.

AT OUR GOVERNMENT HOUSE, in Our City of Ottawa, this Twenty-ninth day of December in the year of Our Lord One Thousand nine hundred and forty-eight and in the Thirteenth year of Our Reign.

BY COMMAND,

"E. H. Coleman"

UNDER SECRETARY OF STATE."

I will file a certified copy of the Commission, sir, and certified copies of P. C. 6033, as amended by P.C.959.

THE CHAIRMAN: I think, gentlemen, that I should say at this stage a few words on behalf of my colleggues and myself concerning the scope and the objects of the inquiry. There is a reason for that, as will appear as I go on.

As you have heard from the reading of the pertinent Order inCouncil, it has been represented to the Government that certain sections of Canada are suffering from economic, geographic and other disadvantages, and that they are, therefore, affected adversely by transportation difficulties and by certain anomalies said to be found in the existing tariffs of tolls and rates.

The Government, having looked into the representations so made, has decided that the matters involved should be inquired into with a view to bringing about relief where relief can and ought to be afforded. The Government, however, has reached the conclusion that these matters are

so far-reaching that it will be necessary, in order to deal with them effectually, that an examination be made of all questions of economic policy within the jurisdiction of Parliament arising out of the operation and maintenance of national transportation. This Commission is charged with the task of making this examination and of reporting to the Government upon the facts and the remedies which it may be deemed advisable to suggest. The object in view is to enable the Government to initiate measures which will make the national transportation policy serve the economic well-being of all Canada.

After formulating this general commitment to this Commission, the Order in Council proceeds to specify certain matters of particular interest enumerated in paragraph numbered 2 with its sub-clauses a,b,c,d,e and f. You will note that each one of these clauses provides a problem which can only be solved by the application of much time and study. Nevertheless, these clauses are not intended to be exhaustive of the subject because the Order in Council says that they are not to be taken as restricting the generality of the terms of reference. They are meant, no doubt, to call our attention to certain essential parts of the entire problem, which is to embrace all questions within the jurisdiction of Parliament concerning the operation and maintenance of national transportation in its economic aspect.

My colleagues and myself are very happy to know that in carrying out our task we are to have the assistance, not only of our own Counsel and of such other sources of

information as we may have recourse to, but also the additional assistance of Counsel for the Canadian National Railways and the Canadian Pacific Railway Company and for many of our provinces. We are also pleased to know that we are to hear from other organizations who feel that they are in a position to furnish us with facts and arguments which will help us to arrive at a satisfactory completion of our task. In general we wish to make it known that we shall welcome assistance from all quarters in the carrying out of our inquiry.

There is one point which we think ought to be made clear at these sittings. We have reason to believe that certain misunderstandings have arisen among the public as to the powers and duties of this Commission. Our body has been appointed to inquire into certain matters and to report upon them to the Government of Canada with a view to the action of Parliament being asked for by the Government if the recommendations which we make are found to be acceptable. We, therefore, are a Commission of Inquiry. We may recommend changes in the Statutes, but we are not authorized to perform any functions entrusted by Statute to the Board of Transport Commissioners for Canada or to any other body. We are not an appellant tribunal appointed to give relief of our own motion in particular cases. For instance, we have no authority to fix or to change freight rates now in force in any part of the country. Our duty is to make recommendations. We think that the concluding paragraph of the Order in Council (paragraph 5) makes all this sufficiently clear.

I think, then, that we may proceed now to ascertaining who is with us this morn ng, and having noted the appearances of counsel.

MR. JOHN CONNOLLY: Mr. Chairman, I am instructed by Mr. Frank Smith of Halifax to appear for the Government of Nova Scotia.

MR. PAUL BARRY: Mr. Chairman, I appear for the Province of New Brunswick.

MR. STUART B. BROWN: Mr. Chairman, I appear for the Canadian Manufacturers' Association.

MR. ERIC COOK: Mr. Chairman, I appear for the Province of Newfoundland.

MR. J. J. FRAWLEY, K.C.: Mr. Chairman, I appear for the Province of Alberta, and this morning I am appearing for the Provinces of British Columbia, Saskatchewan and Manitoba.

MR. J. O. C. CAMPBELL, K.C.: Mr. Chairman, I appear for the Province of Prince Edward Island.

MR. H. E. O'DONNELL, K.C.: I appear, Mr. Commissioner and members of the Commission, with my learned friend Mr. N. J. MacMillan, General Counsel, Canadian National Railways, and Mr. Henry C. Friel, K.C., General Solicitor for the Canadian National Railways.

MR. C. F. H. CARSON, K.C.: I appear, Mr. Chairman and members of the Commission, for the Canadian Pacific Railway Company, with Mr. F. C. S.Evans, K.C., Mr. K. D. M. Spence, and Mr. I. D. Sinclair.

MR. W. J. MATTHEWS: I appear, Mr. Chairman, for the Department of Transport.

THE CHAIRMAN: That is all, is it?

MR. O'DONNELL: Mr. Chairman, it has been indicated that it might be well to draw to the attention of the Commission that Mr. R. C. Vaughan, President of the Canadian National Railways, has felt that it would be well for him to be present at the opening session to indicate, I think, the considerable interest which his road has in the important work of this Commission which is about to begin. I have pleasure in indicating that Mr. Vaughan is here.

MR. CARSON: Mr. Chairman, Mr. Walker, the Chairman of the Canadian Pacific Railway Company,is also here, and is prepared to make a statment to the Commission.

THE CHAIRMAN: Well, I am sure that we are all very happy indeed to have you gentlemen here this morning, and we extend a very hearty welcome to all of you. I just wonder whether you have anything to say to the Commission.

MR. VAUGHAN: Mr. Chairman and Commissioners, for the purpose of brevity and clarity, I will read my statement.

We welcome this Royal Commission on Transportation in Canada.

There has been entrusted to the Management of the Canadian National Railway mileage of great magnitude, larger indeed than that of any other railroad in North America. The System serves all the ten provinces of Canada, purchases commodities of a greater value and gives employment to more people than any other industrial undertaking in our country. Its effect on the national

welfare of Canada is obviously very important.

In common with other railroads, the Canadian National faces problems of great complexity, the solution of which can be found only in a broad understanding of the vital work which the Railway is called upon to do for agriculture and industry and in the development of our natural resources. In addition the Canadian National has, by reason of its history, certain special problems, and these you have been directed to examine under your terms of reference.

It will be the aim of the Canadian National Management to give to the Commission every and all aid in arriving at its conclusions, which we are confident will have a profound effect upon the transportation policy of Canada in the decades ahead. Legal counsel and officers from various departments of the System are being made available to you.

The Royal Commission, which it seems to us is making its inquiry into Canadian transportation at an opportune time will carry with it in its work the support of all our citizens who realize that healthy, vigorous transportation systems are the first necessity of a great and rapidly developing country such as ours.

MR. WALKER: Mr.Chairman and Members of the Commission:

I deem it a privilege to be permitted to appear at this opening session of your tribunal and to make a few observations, necessarily of a most general character at this stage, on behalf of the Canadian Pacific Railway Company, which is so vitally concerned in the result of your deliberations.

No greater responsibility has ever been placed upon any group of men by Royal Comm ssion in Canada than

that which rests upon the shoulders of you gentlemen. Some of the problems which you will have to consider have been dealt with in former years by Commissions composed of men eminent in the public life of Canada, Great Britain and the United States, but your Commission is perhaps more comprehensive than any of those in the past.

At the outset I should like to say that the Commission may count upon the fullest co-operation from the Canadian Pacific in the fulfilment of its task. It has often been said before but I venture to repeat that the policy of our Company has been and will be that what is good for Canada is good for the Canadian Pacific; and if a solution can be found which will settle the persistent allegations of territorial inequalities and discriminations in the freight rate structure, and at the same time preserve a sound position for our railway in the general economy of the country, it will be as welcome to us as it will be to those who sought your intervention. We approach the inquiry in no controversial spirit, but with a genuine desire to be helpful.

The freight rate structure of Canada upon which the railways primarily depend for their revenues, since passenger traffic is relatively unremunerative, is by no means the hodge-podge borne of accident or expediency which it is so often said to be. It has been regulated for the past 46 years by an independent tribunal presided over by a great many men of outstanding ability whose judgments command respect and are consistent alike with reason and with the decisions of similar tribunals throughout the

English-speaking world. Those decisions, we suggest, will not lightly be disregarded by the Commission.

One of the main purposes leading to the establishment of that tribunal, originally the Board of Railway Commissioners now the Board of Transport Commissioners for Canada, was the removal of the whole problem of railway rate regulation from the field of political controversy. That objective, important as it was in 1903, is of no less importance today, and will not, I feel sure, be lost sight of in your considerations.

It is almost trite to say that the development and expansion of Canadian industry, both agricultural and industrial, depends in large measure upon the maintenance of modern and efficient railways, and that these are even more vital to the nation in time of war than they are in times of peace. They can neither be provided nor maintained without adequate revenues.

The principle has often been laid down both in Canada and the United States, and cannot be seriously challenged, that any public utility is entitled to rates which, under economical and efficient management, will produce revenues sufficient to meet operating expenses and pay a reasonable return on the investment in the facilities devoted to the public service.

No other industry can succeed with less, and the railways have no immunity from economic law.

It follows that the total traffic of the railway must produce the revenues to provide the fair return and that having regard to the total need, a rate structure

must be maintained which will move the maximum volume of traffic of all kinds. All classifications of traffic cannot, of course, contribute equally to the over-all cost but if one class of traffic is carried or one section of territory served at less than its proper share of that cost, the inevitable result is to increase the burden on other commerce or on other sections of the country. There are already examples of this in the Canadian economy which will be brought specifically to your attention.

Railways must, nevertheless, have freedom to meet the competition of waterways, highways and airways, all of which are indirectly subsidized by their enjoyment of facilities provided at the cost of the Government, and which contribute relatively little to the tax revenues of Governments, dominion, provincial or municipal.

Rates made to meet such competition, provided they be no lower than is necessary to retain the traffic and provided they return to the railway something more than the out-of-pocket cost of the service, are of benefit to the general public as well as to the railway because they make a contribution to the overhead expense which otherwise would have to be borne by the rest of the traffic of the country. On the other hand, to argue that because such rates are made to meet direct competition, rates must be reduced in other territories where no such competition is met, and which are reasonable rates for the movements involved, would be to invite immediate and overwhelming disaster to the railways.

These are questions which daily confront, and

must be decided by, a competent regulatory tribunal.

These and many other aspects of the transportation problem will be considered by your Commission and our Company is most anxious that there should be available all of the necessary information and data without which a constructive and well-considered report would be impossible.

I only desire to add that as the Commission is undoubtedly aware, the Board of Transport Commissioners is also under mandate from the Government to proceed with a general freight rate inquiry, scarcely distinguishable in some aspects from the inquiry your Commission has been directed to undertake. Our hope is that duplication may be avoided both in the scope of these inquiries and in the hearings of the two tribunals. Subject to that consideration our officers will be at your service and no effort will be spared to assist the Commission in reaching sound and fair recommendations.

THE CHAIRMAN: We thank you, Mr. Vaughan and Mr. Walker, and I am sure that the remarks you have made this morning will be helpful to us as we proceed with our inquiry and study.

I am in a position now to announce the proposed itinerary for the work of the Commission. Following two days here, the public notices of the times and places of hearings will appear in the press. They are as follows:

We shall commence in Manitoba with hearings in Winnipeg on June 1, 2 and 3.

The Commission will then proceed to Saskatchewan, sitting in Regina on June 7 to 9.

The Alberta hearings will be held inCalgary on June 13, and in Edmonton on June 16 and 17.

Hearings in British Columbia will be at Victoria on June 22 and 23, and at Vancouveron June 28 and 29.

Hearings will also take place in Fort William and Port Arthur on July 4 and 5.

It is hoped that it will be possible to commence the regional hearings in the Maritimes at Halifax on July 12 to 14.

The Commission will then proceed to New Brunswick, sitting at Fredericton from July 18 to 20.

The Commission will next proceed to Prince Edward Island holding sittings in Charlottetown from July 25 to 27.

Further details concerning dates for regional hearings in Newfoundland, Ontario and Quebec will be announced later.

Following these regional hearings, final hearings will be held in the city of Ottawa.

Now, Mr. Ilsley, I understand we are to hear from you as to matters of procedure.

MR. ILSLEY: Mr. Chairman and gentlemen of the Commission, it seems appropriate at this formal opening that something should be said by Commission Connsel about the procedure to be followed. Indeed, you have asked my Associate Counsel, Mr. Desmarais, and myself to outline the procedure which has commended itself to you as the most advisable to pursue. If any counsel or others present have any further suggestions concerning procedure

and would like to make them today, I am sure that you would be glad to give them consideration. I hope, however, that our proposals in respect of procedure will appeal to everyone as reasonably satisfactory.

The first meetings of the Commission took place in February. These meetings were for the purpose of organization and planning the approach to the problems confronting the Commission. It was decided, at that time, to commence preliminary studies of some of the problems within the terms of reference of P.C. 6033, and these studies have been progressing and will be continued as the work of the Commission progresses. It was also decided, at an early stage, by the Commission, that the provincial governments, the railways of Canada and other interested organizations and associations should be advised of the terms of the reference to the Commission and invited to make written submissions thereon. In my remarks I shall occasionally refer to written submissions as briefs. Strictly speaking, the two terms do not mean the same thing but in what I am about to say I shall use them in the same sense and interchangeably.

Several of the submissions or briefs have been received. I believe there are still some to come in. In some cases outline briefs have been forwarded and the Commission expects to receive detailed briefs at a later date. It was arranged that the seven provinces who originally indicated an interest in the work of the Commission would submit their briefs by the end of April. The Province of Newfoundland requested further time for

submission of its preliminary brief, and it is hoped that this will be received onor before the 15th of May. It was also arranged that the Canadian National Railways and the Canadian Pacific Railway Company would submit briefs on or before the 1st of June. It is anticipated that after that date the eight provinces which have indicated that they wish to be heard by the Commission may submit briefs in greater detail. No time has been set for the forwarding of these detailed briefs but it is felt that they should be filed with the Commission on or before June 15th. The Maritime Transportation Commission has advised the Commission that it does not intend to submit a preliminary brief but will present a detailed brief before the Commission when it holds hearings in the maritime provinces. This detailed brief should also be filed with the Commissionon or before June 15th.

With regard to the briefs which I have mentioned -- both preliminary and detailed -- namely those of the eight provincial governments which I have mentioned, the Maritime Transportation Commission and the railway companies, it was thought that some provision should be made for exchange of briefs between those presenting them. The Commission will require ten copies of each brief for its own use. The matter of the exchange of briefs between the governments and organizations which I have mentioned is being left to be arranged amongst themselves. It is suggested that when the briefs are forwarded to the Commission, copies should also be forwarded to the Counsel for the provincial governments in question and the

railways and the Comm ssion advised as to those to whom copies have been sent. Two of the provincial governments, those of Ontario and Quebec, have not yet indicated whether they wish to make representations to the Commission. With regard to these two provincial governments and with regard to persons and organizations other than those I have mentioned, who may wish to appear before the Commission, it is proposed that any briefs or submissions of these governments, persons and organ zations be filed with the Commission at least one week before the respective sittings at which the submissions will be heard. Arrangements for exchange of briefs between any persons, governments and organizations who submit them will be facilitated by the Secretary, upon request, insofar as possible.

Another procedural matter which I should mention is the production of information when requested by one person, government or organization making submissions to the Commission of another person, government or organization making or intending to make submissions. The information asked for, in some cases, may be very extensive and the person, government or organization from whom the information is sought may object to furnishing it because of the time and expense involved in so doing. The Commission may then be asked to direct the supply of the information. The rule to be applied in these circumstances will be that the information should be applied and that the Commission will direct that it be supplied if it is regarded by the Commission as relevant and if it does not involve undue expense or delay.

I should say also that there will be, from time to time, requests by members of the Commission or by its

technical staff and assistants for information and that these requests will probably be directed to provincial governments and to the railways. Since such information will be required to assist the Commission in its work, I am sure that all concerned will assist and co-operate with the staff of the Commission when such requests for information are received.

The Commission will have a technical staff which will be engaged in the gathering of information and the preparation of studies for the assistance of the Commission. Inquiries have been made as to whether studies prepared by Commission staff will be available to the various persons, governments and organizations appearing before the Commission. Some of these studies may very well be of such a factual or final nature that they can, during the course of the inquiry, properly be made available to any persons, governments and organizations appearing before the Commission and desiring them. To certain other types of studies and reports of the technical staff of the Commission other considerations may apply; therefore no general rule can be laid down as to the availability of prepared studies to those interested, it being left to the Commission to decide in each case whether it feels that some benefit or advantage would result from making the studies available and to direct accordingly.

As you, Mr. Chairman, have indicated, plans have been made to hold regional hearings in the provincial capitals as well as in certain other cities. It is planned, as far as possible, to hold these regional

hearings in court houses and the Secretary will be corresponding, in the course of the next few days, with the Attorneys-General of the provinces to make the necessary arrangements for these facilities. The decision to hold regional hearings was taken after consideration by the Commissioners of the scope of the inquiry and the desirability of affording to those in all parts of the country an opportunity to appear and to be heard. For each regional hearing the Commission will determine the order in which representations will be made and the witnesses called. This order will be determined by the Commission at the time of arrival in the city where the regional hearing is to take place.

There has been some discussion with Counsel representing provincial governments and railways as to whether the provinces desiring to make representations should present their main cases at the regional hearings or should be free to present them before the Commission at Ottawa after the conclusionof the regional hearings. It is proposed that any province may, as its option, present its main case either at a regional hearing or at the subsequent hearings in Ottawa. The railways will be heard in Ottawa after all the provinces appearing before the Commission have presented their cases. The provinces will then be given an opportunity to reply.

When I use the term "case" or "cases", I do not wish to imply that the proceddings before the Commission should be regarded as litigation. Indeed, it is highly important that the litigious atmosphere be avoided. It

is hoped that all those appearing before the Commission will be disposed not only to co-operate with the Commission but, as far as possible, with one another in assisting the Commission to make practical and valuable recommendations.

Organizations other than provincial governments, the railways and the Maritime Transportation Commission, which is essentially a governmental agency, will be expected to make their representations at the regional hearings only unless they feel that something subsequently adduced requires reply, in which case the Commission will give consideration to such applications as may be made for the hearing of replies in Ottawa.

The procedure which I have outlined may have to be modified to meet the circumstances as the inquiry proceeds, but it is felt that those interested in the inquiry and the general public should be informed to-day

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The Chairman then asked Mr. Desmarais, in French, if he had anything to add to what Mr. Ilsley had said.

Mr. Desmarais: Mr. Chairman and gentlemen of the Commission: I believe that I would needlessly prolong this hearing if I repeated in French what the Hon. Mr. Ilsley said concerning the rules and the procedure which the Commission intends following in its hearing.

With your permission I will therefore file a French version of his statement and will hand over at the end of this hearing copies of his text to counsel, journalists or other interested parties who ask for a copy.

I should add, also, that the French version of the Chairman's remarks has also been filed in the record.

THE CHAIRMAN: Are there any expressions of opinion regarding procedure from the gentlemen representing the provinces or the railways, in view of what has been said?

MR. EVANS: Mr. Chairman and members of the Commission, there were two questions about which I thought I might ask further information.

Mr. Ilsley, in his discussion of the question of procedure, said that it would be for the provinces to decide whether their principal submissions should be made in the provincial capitals or should be made in Ottawa. It would be very helpful to me, and I think to other railway counsel, if we could know in advance of the beginning of the regional hearings whether any provinces have elected to make their principal submissions in Ottawa. I would like my friends to help me to that extent if they could. The matter of which counsel might appear at those hearings would perhaps depend on whether we knew in advance or not.

Also I would like to mention here that at least one of the so-called outline briefs is going to be a very difficult one for us to prepare an outline reply to. I have in mind particularly Alberta, and I do not know whether you, sir, could give any further directions about this, but I have found the greatest difficulty in determining the kind of case we would have to meet when I read the submissions of Alberta. They merely outline a number of things about which they will make submissions, but, with respect, I suggest that they have not given us

any clue as to what their submissions will be. Perhaps this is not the opportune time to ask the Commission to give directions, but it will greatly facilitate us in preparing our outline brief by June 1 if we could have in somewhat more detail the nature of the submissions which the provinces will make.

I may say that what I am not saying does not apply, I think to New Brunswick and Prince Edward Island, because they have made clear their position in outline; but there are two, I think, that leave absolutely nothing for us upon which we could determine what their submissions would be.

THE CHAIRMAN: On the first point, the point as to whether the provinces are in a position to state today whether they intend to present their full case locally or here in Ottawa, may we hear about that now before we go on to the next point?

MR. CAMPBELL: I am prepared, Mr. Chairman, in that way. We of Prince Edward Island propose to present the full argument in Ottawa after the conclusion of the regional hearing.

THE CHAIRMAN: And not at Charlottetown?

MR. CAMPBELL: And not at Charlottetown.

MR. BARRY: Mr. Chairman, speaking for New Brunswick, I may distinguish, I suppose, between the case and the argument, but I assumed that the main case would be presented in Fredericton and possibly ninety per cent of the argument. It was simply our idea that we would return to Ottawa in the event of there being any further

matter to be argued, but the substantial case would be concluded in Fredericton.

THE CHAIRMAN: You are thinking, then, of the reply, are you not?

MR. BARRY: That is right, sir.

THE CHAIRMAN: Well, reply, of course, will be heard here.

MR. CAMPBELL: If I might be permitted to speak again, Mr. Chairman, in Prince Edward Island Mr. Frank MacPhee,K.C., is appearing before the Board, before the Commission, as counsel for the Associated Boards of Trade of Prince Edward Island. I understand from Mr.McPhee that he proposes that any remarks he will have to make on behalf of the Boards of Trade will be concluded at Charlottetown.

THE CHAIRMAN: What about the other provinces?

MR. FRAWLEY: Mr. Chairman, I intended to deal with that in the course of a few remarks I intended to make a little later, but I can deal with it immediately if you wish. I can say for the Provinces of Alberta, Manitoba and Saskatchewan that it has been agreed that they will present their main submissions at the Ottawa sittings, and I cannot say that for British Columbia. I have a few very limited remarks to make on behalf of British Columbia, but I should perhaps say that in my own case,-- and I can speak, of course, more on that than with respect to Saskatchewan and Manitoba -- there will be a statement, a general statement, by the Premier of Alberta at the regional sittings. It will be a general statement, and,

for the information of my friends, it will be the statement that is numbered 1 in my outline of submissions; then that will be followed by the almost equally general statement, which is numbered 2, "Transportation and resource use", which will be presented by Professor Andrew Stewart of the University of Alberta. Those two submissions I regard as being of a very general nature, I would almost say non-controversial, and they will be made, if the Commission pleases, and if I may do that, at the Edmonton sittings, for the convenience of the Premier and of Professor Stewart of the University. After that all of my principal submissions will be made in Ottawa, as we intimated to the Commission at the formal informal sittings on the 6th of April.

THE CHAIRMAN: I think that exhausts the provinces, does it not?

MR. CONNOLLY: Mr. Chairman, I am sorry, but I have no instructions on that point. Perhaps I can get them and let the Secretary have the views of Nova Scotia so that they can be circulated to the other counsel.

THE CHAIRMAN: You do not know yet whether your province desires ---

MR. CONNOLLY: I do not know whether the main argument will be made here or in Halifax.

THE CHAIRMAN: Then counsel for the railways will be advised, of course, as soon as you can advise them.

MR. CONNOLLY: I shall see that that is observed.

THE CHAIRMAN: What about Newfoundland?

MR. COOK: Mr. Chairman, I expect our submission

will be made at the regional hearing.

THE CHAIRMAN: Now, there is the next point which has been raised, that some of these outline briefs are too "outlinish", not definite enough. I do not know what can be said about that this morning, but I notice that the Province of Alberta has been named specifically.

MR. FRAWLEY: Yes, sir.

THE CHAIRMAN: Have you anything to say, Mr.Frawley?

MR. FRAWLEY: That is an ominous word, Mr.Chairman; I take it I have been named. My outline of submissions purports to be just what it is called. I thought that I was expected to indicate to the Commission the representations I would make, the kind of representations I would make, and it was done with that purpose in view. Now, I am in the hands of the Commission. I certainly would not be prepared -- I would not be able without a great many more weeks' preparation -- to turn these outlines into complete submissions. As to that, I did want to say a word as to what Mr. Ilsley said a moment ago, that we would be expected to file our complete submissions on or before the 15th of June. Now, I might as well state my position as to that: I think that is going to be an impossibility. That is to say, I am expected to file by the 15th of June briefs which will state the submissions which I will make here. Well, I do not know when, sir, because the itinerary did not say so, but conceivably in August, conceivably in September; I would hope September rather than August. Now, perhaps that is not the way I am to take that, but that is the

way I took it, that my complete briefs as I proposed to make them here through witnesses will be in the hands of the Board by the 15th of June. Before that is turned into an order, on the assumption that it is not yet an order, I should like to make some representations, because, frankly, I think that is going to be quite impossible. You see, I shall be busy with the regional hearings in Edmonton and in Calgary on the 13th, 16th and 17th of June, and in the meantime I will be pretty busy in connection with the material that is going in before those regional hearings. So I would very respectfully ask that that direction, if it be that, be reconsidered.

THE CHAIRMAN: What date would you suggest, then?

MR. FRAWLEY: Well, I did take a note that Mr. Ilsley said that with respect to the provinces of Ontario and Quebec they had not yet indicated whether they would appear, but it was directed against them that they should make written submissions one week before the sittings at which they were to be heard.

THE CHAIRMAN: Well, in your case that would be one week beforethe Ottawa sittings.

MR. FRAWLEY: Yes, that is right, sir, and I would hope, I would ask, that now. I would hope that I could be extended that consideration.

THE CHAIRMAN: Do you think that allows enough scope for those who have to read your brief? It is not only yours, you see, it is the others.

MR. FRAWLEY: Oh, others have to be considered. There is no question of letting up in the preparation or

anything of that sort. It is going to be merely a question of time. If I knew now whether it would be September or October, then I might be able to think about the deadline for the filing of the briefs.

THE CHAIRMAN: We do not know, of course, ourselves.

MR. FRAWLEY: A great deal of them, sir -- I will be very frank -- are not yet committed to paper.

THE CHAIRMAN: It would be better, I think, to fix some date.

MR. ILSLEY: Yes, Mr. Chairman, I think that for a brief such as the one Alberta is certain to present more than a week will be required. They are in a position different from that of certain provinces that have not indicated any particular interest in this Commission. The outline I have just seen for the first time indicates that a wide range of subjects is to be dealt with, and if only a week is required for study of that brief nobody will be prepared to deal with it effectively. If June 15 is too soon, I will suggest that we agree on a somewhat later date if we can.

THE CHAIRMAN: Could you suggest, Mr. Ilsley, a later date, or do you want time to think it over?

MR. CAMPBELL: Before Mr. Ilsley suggests a later date, Mr. Chairman, we were somewhat hopeful that in the preparation of the final brief or factum we might be able to refer to passages in the extended evidence which has been taken at the regional hearing -- I do not know if that was in the minds of any other counsel -- in which

case ---

THE CHAIRMAN: That would involve waiting until the inquiry is completed. I do not think we could accede to that.

MR. FRAWLEY: My friend Mr. Campbell is probably referring to arguments. I was referring to what you might call the evidence or the submissions. There will be perhaps half a dozen or so.

THE CHAIRMAN: Yes.

MR. ILSLEY: It would require a little consideration, Mr. Chairman, as to the date that would be acceptable, but I should think that it could be done before a particular date. I wonder if July 15 would be all right.

THE CHAIRMAN: That would give another month.

MR. CARSON: Mr. Chairman, if I may say so, I think the difficulty that faces Mr. Evans in a practical way is this, that Mr. Frawley's memorandum or whatever it may be called at this stage, does not really live up to its title. It is called an outline of submissions, but, after all, it does nothing more than indicate the subjects. We have no idea of what position Mr. Frawley intends to take on these subjects. While I am not suggesting that the brief at the present stage should outline the detailed submissions and development, if he would state what his position is on these different subjects it would be helpful. Particularly when we know that we must go to open in Calgary on June 13 and then in Edmonton on June 16 and 17, it is rather awkward for the railways to prepare for those hearings without having

something in the way of a general indication of the position Mr. Frawley proposes to take. I think that is what Mr. Evans had in mind when he was speaking about the difficulties.

MR. FRAWLEY: You are speaking of 1 and 2 now.

THE CHAIRMAN: You would like to have particulars of these.

MR. FRAWLEY: Yes.

MR. CARSON: Mr. Chairman, I do not know that we even go that far, in the sense of particulars of a lawsuit, but I think what we would like to have is something in the way of an indication of the position he intends to take on these various subjects that he has mentioned in his brief.

THE CHAIRMAN: Can anything be done, Mr. Frawley, to clear that matter up and make it a little more definite?

MR. FRAWLEY: My friend Mr. Carson is now speaking, I take it, of the two general briefs that will be presented at the Edmontonsittings.

MR. CARSON: I am speaking of the brief that has now been furnished.

MR. FRAWLEY: Yes, Mr. Carson, but however many there are, they will be presented at the Ottawa sittings, and we are now discussing the time at which those briefs should be filed. I said as to that, if we knew even approximately when the Ottawa sittings would begin and what province would begin to make its submissions, and matters of that kind, then I think we could more

intelligently fix a date of the time within which these particular briefs must be filed.

MR. CAMPBELL: Mr. Chairman, I do not know that I am quite clear on this matter of the brief that is to be filed. I know that we are all anxious to avoid even the appearance of litigation in this matter, but it had occurred to me that this would be in the nature of a factum, a factum plus a case, from which the argument would be printed rather than mimeographed as the present submissions have been, and that from it the argument would be more or less made at either the regional or the Ottawa sittings. That is my understanding of it. We have now filed a preliminary outline of submissions; then, as I understand it, we are going to have printed a factum or a case plus factum from which the argument will be made, if I am correct. I am rather in agreement with Mr. Frawley; if that is to be filed in July and argued in September or October, it seems to me a little later date perhaps would be better, unless there is to be a still further factum or something.

THE CHAIRMAN: Well, the situation seems to be this: you are all here and you all have some case to present, some view to express concerning the subject matter of the inquiry. You are here because the province that you represent believes that it, as a whole province or in certain regions of that province, has certain disadvantages, economic, geographic or other, which ought to be overcome. So when we talk of a brief we have in mind something directed to that point,

and surely you are in a position now to tell us what is wrong in general language. Then as we go on we will know what is the problem of each one of these provinces, and as we approach it will be able to study it and clear it up, and later on you can present if you wish a fuller case. Now, unless these initial briefs go that far they are not of very much use. If we are only to be told by one province after another that there are a whole lot of general problems, well, there they are, that is really not a brief, so we would like each province to tell us in advance generally what is its problem so that we will know it and so that the railways will know it and can look around and see how it may be faced or solved. I understand the objection to be on behalf of the railways that some of the briefs now filed do not present the case for the provinces concerned; is that right?

MR. EVANS: Yes, sir. The subjects upon which the province intends to make submissions are set out as subjects only, without indicating what the submissions will be or what position will be taken. Perhaps I could just pick out of page 6 of Alberta's brief an illustration of what I mean; I just happen to have it open at that page, and I see, "Financial and Statistical Aspects of the Canadian Railway Problem." That is item No. 6. You see under each of the several headings, the sub-headings. They merely speak of recommendations which they will make with regard to them, and the same with regard to 7, "Transport Legislation and Regulation."

They list under a number of headings subjects upon which they will make representations, but nothing to indicate what those representations, even in brief outline, will be. For example, look at the second paragraph of 7, "The practical operationof the Act and a discussion and recommendations on matters such as the following", and there follows a list of four items. Now, I do not want to be critical of my friend, but it would greatly facilitate this if we could narrow down the issues with which we might consider our brief should deal.

THE CHAIRMAN: Are there any provinces whose briefs do appear to be sufficiently definite?

MR. EVANS: Yes, sir, there is my friend Mr. Campbell; I have no difficulty whatever in understanding the nature of the submissions he is to make. I have very little difficulty with New Brunswick's outline, so far as I have been able to read it. I have just had it a few minutes. I think it does indicate the position he proposes to take. Whether it is exhaustive is a matter for my friend. But I am not in any doubt as to the nature of their submissions in those cases.

THE CHAIRMAN: Then is there any other case besides the Alberta case where you find objection?

MR. EVANS: My recollection is that Nova Scotia was pretty vague. I had great difficulty, in the quick glance I had at it, in determining what their submission would be; but the other two were quite clear.

THE CHAIRMAN: Then the cases that give you some anxiety are Alberta and Nova Scotia?

MR. EVANS: Yes, sir. There are some, of course, I have not seen at all.

THE CHAIRMAN: Yes; but of those that are in. Do I understand that we have nothing from British Columbia, Saskatchewan and Manitoba?

MR. HUNTER: That is correct, sir, as of Saturday morning.

MR. FRAWLEY: We met in Saskatoon last week, and I understood they would be despatched out of Winnipeg and Regina respectively on Saturday at the latest; in fact, I thought that Manitoba's had been despatched on Friday. As to British Columbia I cannot say.

MR. HUNTER: It has not been received as yet, sir; it may be in today's mail.

THE CHAIRMAN: Now, on this rather vexed question have you anything to suggest, Mr. Ilsley?

MR. ILSLEY: Mr. Chairman, I should have seen this before; it is my own fault that I did not, but I just looked at it today. I would feel better about it if the position of the province were stated rather than the list of subjects.

THE CHAIRMAN: Well, that was the intention.

MR. ILSLEY: I should think that perhaps Mr. Frawley could within a reasonable time state the position in general terms, and let the other persons interested have copies of the submissions.

THE CHAIRMAN: Now, what do you think, Mr. Frawley? It seems to me that your statement ---

MR. FRAWLEY: It is certainly a misunderstanding, shall I say -- a perfectly sincere and genuine one.

THE CHAIRMAN: What we would like to know is the position taken by Alberta on these subjects, in general language.

MR. FRAWLEY: Of course, it can be done; it will mean something in betweenthis and then the final brief that the witness will put in. It is going to take some time, but certainly I will do just exactly ---

THE CHAIRMAN: After all, what we require is the preliminary brief of your case. When I say "case", perhaps you do not know what meaning I put on the word: Alberta's ideas. We do not gather very much about Alberta when we read these parts.

MR. FRAWLEY: It was certainly only intended, sir, to indicate the subjects that we would cover.

THE CHAIRMAN: I think we owe you something for having set out the problem for us in a very lucid way, but you have not gone so far as to say what you think about it, and that is what we would like to know.

MR. FRAWLEY: I think that can be done; it is just a question of how much time it will take. It will have to be done in Edmonton, of course.

MR. ILSLEY: Two weeks?

MR. FRAWLEY: Well, there will be an effort made to do it in two weeks. Mr. Ilsley suggests two weeks.

THE CHAIRMAN: Well, if Mr. Frawley could give us a more definite statement of the Alberta position in two weeks' time, would that be satisfactory?

MR. EVANS: I think so, sir. I will do my best to meet it. I have until the 1st of June to file my outline, and I would think that leaving out only one province for two weeks, it would be possible to meet them.

THE CHAIRMAN: Then there is the case of Nova Scotia, is there not?

MR. EVANS: Yes; I would hope for the same direction, if you find it convenient to make it, sir, to apply to Nova Scotia.

MR. O'DONNELL: Mr. Chairman, I did not intend to say anything, because I think Mr. Evans put the matter quite properly. It is rather difficult, I would think, for the Commission to know what Alberta's position is.

THE CHAIRMAN: Yes, of course.

MR. O'DONNELL: And my friend 's natural bashfulness I think should be overcome by declaring it a little more positively than he has, for the use of everyone. As far as the railways are concerned, it might be well to know just who should be in Edmonton to hear this submission, I mean by way of officials or advisory and technical people, and so on; so it would be most helpful if he would disclose his hand just a little more than he has, for the help of the Commission.

THE CHAIRMAN: Yes. As a matter of fact, in that initial letter which was sent, I think, by myself on behalf of the Commission to the various provincial premiers, we stated what we would like the briefs to contain, and it does not seemto me that so far what we have before us now is an answer to that. Well, you

think you can in another two weeks ---

MR. FRAWLEY: Oh, I will certainly make the effort.

THE CHAIRMAN: I think you might take the same for Nova Scotia.

MR. CONNOLLY: That is by May 16, Mr. Chairman, if the material is in the hands of the Secretary by May 16; is that the intention?

THE CHAIRMAN: Yes; that is two weeks.

MR. BARRY: That is most important for New Brunswick, that we should have the brief of Nova Scotia in better outline than it is, because I would hate to have thrown at me at the last moment something that disclosed a new conflict between Nova Scotia and ourselves. It is impossible yet to tell what the recommendations of the province of Nova Scotia will be.

THE CHAIRMAN: Yes, but at this stage you are concerned with giving us your own position on the subjects outlined in the Order in Council. Whether or not conflicts develop later when you prepare the different briefs, it is very important in all cases that we have that much enlightenment as early as possible now, so that we will know when we go to Manitoba what is Manitoba's problem, what we should do for Manitoba, what we should do for Alberta, and it is to the interest of everybody to know that -- the railways as well as ourselves.

MR. ILSLEY: Mr. Chairman, if it is in order to take this point up now, on the question of the date for the delivery of the final brief, what I suggested a few

minutes ago was that these briefs be delivered on or before the 15th day of June. Now Mr. Frawley objects to that date as too early a date, and my suggestion is that the brief of the Maritime Transportation Commission be delivered by the 1st of July and that the other briefs be delivered by the 15th of July.

The CHAIRMAN: That is the other final briefs?

MR. ILSLEY: Yes. The reason I say that is that we are told that the brief of the Maritime Transportation Commission is to be a very long detailed brief, and there should be some opportunity of discussing that and submitting it to the experts of this Commission well in advance of the time when it is presented for hearing by the Commission in the Maritime Provinces which will be toward the end of July, the 27th or 28th of July. Having those considerations in mind, I think that the 1st of July would be satisfactory as a date for that brief, although there has been no application to have the date of the 15th of June extended; but with regard to the other briefs, I request that they be delivered by the 15th day of July. The Commission has experts, and they want to find out within a reasonable time what it is that there is to consider. The Commission was appointed in December, or the announcement was made in December; you, sir, came here to take up the work of the Commission early in February; it is now the 1st of May, and the 15th of July is ten weeks from now. It is ten weeks from now, and it is a matter of common knowledge that a great deal of work has been done on this matter, and surely the 15th of July is a late enough date for the

delivery of these final briefs. I suggested the 15th of June in representations that I made, but I am willing to make that the 15th of July. We do not know when we will be meeting in Ottawa; we do not know whether it will be the middle of August, the 1st of September or the middle of September; we do not know about that, but, apart altogether from the time we are meeting in Ottawa, the Commission needs to do some work on this and their staff needs to do some work on these important representations that are to be made.

THE CHAIRMAN: Unless we hear some very cogent reason to the contrary, we are disposed to fix the 15th of July right now, so as to clear the matter up. What do you think, Mr. Frawley?

MR. FRAWLEY: All I can say is that an effort will be made to meet that direction of the Board.

THE CHAIRMAN: Then we will say the 15th of July.

MR. ILSLEY: Of course, Mr. Chairman, perhaps I should add that that direction does not interfere with the arrangements already made or announced, that local organizations will file their briefs within a week, at least a week before the local hearings.

THE CHAIRMAN: Yes, quite.

Is there any other business to be brought forward this morning, Mr. Ilsley?

MR. FRAWLEY: Mr. Chairman, I said this morning that I was appearing for British Columbia, and I think perhaps, in fairness to my friend Mr. Brazier, I should

read his very brief telegram:

"Unable attend opening sitting Royal Commission. Will you appear on my behalf and inform the Commission that the Province of British Columbia will extend fullest co-operation to the Commission and will welcome the opportunity of placing their views before the Commission in due course and regret other commitments make it impossible for me to attend in Ottawa on May 2nd. If you wish to telephone me will be available Sunday evening telephone Kerrisdale 5969L. Regards."

That is from Mr. C. W. Brazier, who is Counsel for the Province of British Columbia.

---Whereupon the Commission adjourned at 11.15 a.m., at the call of the Chairman.

ROYAL COMMISSION
ON
TRANSPORTATION

EVIDENCE HEARD ON

JUN - 1 1949

VOLUME

2

Please make the following changes in transcript of evidence for June 1st:(Vol.2)

Page	Line	Correction
42		In list of Appearances,Mr.C.D.Shepard should be shown as representing the Province of Manitoba only.
202	3	Change "monopoly" to "manipulation".

Please make the following changes in transcript of evidence of June 1, Volume 2:

Page	Line	Correction
42		"Canadian Pacific Railways" should be "Canadian Pacific Railway"
86	third from bottom	"lake" should be "Bay"
99	3	"long" should be "wrong"
103	11-12	"wages" should be "rates"

Correct spelling of counsel for Saskatchewan:
M. A. MacPherson.

Please note the following changes in Transcript of Evidence for June 1, 2, 3.

Volume	Date	Page	Line	Correction
2	June 1	137	19	"Virture" should be "virtue"
"	"	145	3rd from last	"Choose" should read "refuse"
"	"	158	14-15	""Inbdividuals" should be "individuals" Should read "'C' to which I have made ...."
"	"	196	5-6	"Q. And if anyone wants to use it, it is very simple to put the machinery into motion?"
"	"	215	10	Insert "that" at beginning of line before "percentage"
"	"	270	2	Change period after "rate" to comma, insert "unless" and change "Some" to "some".
"	"	273	2nd from last	"410" should be "420"
3	June 2	390	4	Insert "A" before "I would say definitely, yes."
"	"	393	18	Should read "A. No; that is why I say 'if'."
"	"	394	16-17	"And you are one of the senior officers of a certain Co-operative for quite a few years?" should read "And you were one of the senior officers of the Honey Co-operative for quite a few years?"
"	"	395	20	"England" should be "Winnipeg"
"	"	400	13	"available?" should be "in effect"?
4	June 3	479	8	"in bond" should be "inbound ".
"	"	670	2nd from last	Delete "them" and insert "the railways." Delete "and" and start new sentence with "The mixing...etc."
"	"	671	17	After "and" insert "does not". "Prevails" should be changed to "prevail".
"	"	675	6-7	Should read "...you will find the reason. It is because Newfoundland since it became the tenth province in Canada, is governed by..."
"	"	676	4	After "carried on" and before "would you think" insert "Q."

ROYAL COMMISSION ON TRANSPORTATION

ROYAL COMMISSION ON TRANSPORTATION

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I N D E X

WINNIPEG, MANITOBA
WEDNESDAY, JUNE 1, 1949

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ROYAL COMMISSION ON TRANSPORTATION

WINNIPEG, MANITOBA.
Wednesday, June 1/49

HON. W. F. A. TURGEON,KC. LL.D.	Chairman
HAROLD ADAMS INNIS,	Commissioner
HENRY FORBES ANGUS,	Commissioner

- - - - -

G. R. Hunter,
Secretary.

P. L. Belcourt,
sst.Secretary.

- - - - -

Newall Price,C.S.R.
H.M.Huggins,C.S.R. --
Sworn.
R.N.Dickson,C.S.R.
-- Reporters.

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APPEARANCES:

F. M. Covert, K.C.) Gaston Desmarais, K.C.)	Counsel for the Commission
H. E. O'Donnell, K.C.) H. C. Friel, K.C.	Counsel for the Canadian National Railways.
F. C. S. Evans, K.C.) I. D. Sinclair	Counsel for the Canadian Pacific Railways
C. D. Shepard	Province of Manitoba, Manitoba Federation of Agriculture, and Vulcan Iron and Engineering,Ltd.
J. J. Frawley, K.C.	Province of Alberta
C. W. Brazier,	Province of British Columbia
W. P. Fillmore, K.C.	Winnipeg Chamber of Commerce.
H. S. Scarth, K.C.	Manitoba Pool Elevators.

WEDNESDAY, JUNE 1, 1949

At 10.30 o'clock a.m.:

MR. COVERT: Mr. Chairman and Commissioners, I think our program this morning is the brief from the Manitoba Government, to be presented by Premier Campbell.

MR. EVANS: Mr. Chairman and Commissioners, perhaps before the Premier presents his brief I might just say a word. The Commission will have observed that in the brief of the Canadian Pacific certain questions which have given us some concern relating to the scope have been raised. It is not my purpose, sir, to impede or obstruct the proceedings in any way or to take up the time of the Commission; I see that there is a very full program; I am merely asking that the Commission should consider that my failure to object from time to time does not in any way mean that I have abandoned the position taken in the brief.

THE CHAIRMAN: Has anybody else anything to say before we hear from the Premier of Manitoba?

MR. SHEPARD: Mr. Chairman, I am appearing on behalf of the Government of Manitoba, and I will ---

THE CHAIRMAN: Mr. Shepard?

MR. SHEPARD: Shepard is my name, yes, Mr. Chairman.

I shall be presenting the Premier to you in a moment. I think perhaps it would be as well to have on the record at this stage a statement as to the manner in which the Manitoba Government proposes, with the permission of the Commission, to present its case. I

have heard that one or two of the people who have seen the submissions that are about to be made felt that they were very substantial, and they wondered if perhaps they constituted the main case of the Government of Manitoba, and I think it should be made clear that what will be heard this morning is a statement which embodies the attitude of the Manitoba Government, but that statement will be supported and gone into in more detail by expert witnesses at the hearings which I understand will take place some time perhaps in the fall in Ottawa, and I wanted it to be quite clear that this is not the main presentation of the Manitoba Government; it is definitely a statement of the Government's attitude on the matters before the Commission, but it will be very much elaborated by expert evidence at a later date.

Now, with your permission, Mr. Chairman and members of the Commission, I would ask the Honourable Douglas L. Campbell, Premier of the Province of Manitoba, to come forward and present his submissions on behalf of the Government.

HON. DOUGLAS L. CAMPBELL, called.

THE WITNESS: Mr. Chairman and members of the Commission:

" I consider it a high honour and also a great responsibility to make the first presentation for the consideration of your Commission as it begins its public hearings on the extremely important matters which have been referred to it.

Before beginning the remarks which I wish to direct towards the questions with which you are primarily concerned, I would like to express to the Commission a sincere welcome tothe Province of Manitoba and to Western Canada as a whole. I think that every province of Canada has good reason to be interested in the work of your Commission because all must recognize the magnitude of the task which you have undertaken. No province realizes this more than Manitoba, situated as we are in the very heart of this continent. We are, therefore, very glad that a Commission of this type has been appointed, and we appreciate the fact that men of the capacity, integrity and experience of the members of this Commission have, out of their very busy lives, agreed to serve om it, in order to give of their time and talents toward the solution of matters of great public concern."

At this point I should like to add a few informal words which do not appear in the text of my presentation but which I should like to ay in a personal way to the members of your Commission.

I think it is appropriate that I should take this

opportunity of recording the unanimous recognition of the people of Manitoba of the high qualities of public service which have over such a long period been placed at the disposal of Canada by you, Mr. Chairman. Your many years of public service in our sister province would by themselves assure you a place of esteem and affection throughout western Canada. In 1907 you were first elected to the Legislature of Saskatchewan, in the same year became Attorney General of that province, in which capacity you served in two governments, until you were appointed a Judge of the Saskatchewan Court of Appeal in 1921, and Chief Justice of Saskatchewan in 1938. Your service, however, was by no means limited by provincial boundaries, for while serving on the bench you on numerous occasions found the time and energy to act upon Royal Commissions whose scope extended throughout Canada. Among these I might mention only the Royal Commissions on Grain and Textiles. In 1941 you became Canadian Minister of Argentina and Chile and since that time you have served in a similar capacity in Mexico, Belgium and Ireland. It would be difficult indeed, sir, to find any Canadian whose record of service and experience would so well qualify him for the task which you are now beginning.

In your two colleagues, sir, you have men whose ability and experience have long been recognized both in academis circles and in fields of public service. Professor Angus is best known to us as a member of the Rowell-Sirois Commission, whose work meant so much to the

Province of Manitoba, but his reputation as an economist is equally high. The standing of Professor Innis as an economist and historian has been established through his writings on many phases of the economic development of Canada and on the matters with which your Commission must deal. His knowledge of Canadian history and development will, I am sure, be invaluable.

I trust that your present sittings in Winnipeg will be a pleasant and useful one, and that the material which is here presented to you will be of assistance in your deliberations.

"Scope of Inquiry

"At the outset of my presentation I would like to quote part of one sentence from P.C. 6033 -- the Order in Council setting out the powers and responsibilities of your Commission. The second sentence of that order in council states that it has been decided that an inquiry should be made 'in order that all questions of economic policy within the jurisdiction of Parliament arising out of the operation and maintenance of national transportation may be examined and reported upon.' Even the most casual examination of that sentence makes it clear that the Commission that is to undertake such an inquiry must inevitably deal with some of the most fundamental economic facts of the Canadian nation. The decisions and recommendations which you will make will influence and perhaps determine

the direction of our national develppment in many fields for years to come. Sound decisions and recommendations in this regard will indeed remove handicaps which have retarded the agricultural and industrial development of certain areas for long periods of time, and also eliminate regional discriminations which have caused friction within the Canadian federation almost since that federation was created.

As I have already mentioned, the responsibility inherent in the first brief to your Commission is one which the Province of Manitoba fully realizes. In this regard we recall with pride that in the deliberations of the Rowell Sirois Commission the first briefs were presented by this Government at sittings also held here in the city of Winnipeg.

Transportation in the Canadian Economy

"In 1948 the two great railway systems, the C.P.R. and the C.N.R. collected $778 million from the people of Canada in payment for the movement of freight, passengers, express and mail, and for the provision of dining and sleeping car services. Unfortunately, comparable figures are not available for all the railways of Canada or for other forms of transportation for the year 1948, but for the year 1947 the people of Canada paid $91 million to the other railways. In 1947 the amount paid to civil air lines was $27 million. In the case of truck and bus transport, it is necessary to go back

to 1946 for the most recent figures and in that year the amount paid to commercial buses and trucks was $102 million. The total of the above figures is $998 million per year. However in order to arrive at a figure to show the total amount paid for transportation in Canada the amount of $998 million would of course be raised to include amounts paid for operating private motor cars and trucks owned by the person whose goods are being moved. In addition it would have to be raised to include the amount paid for street railway transportation and for inland water transportation. Even if these large items are ignored, however it is clear that at present Canada is spending well over $1 billion per year on rail, bus, air and commercial truck transportation or approximately $7.80 out of every $100 of national income.

"Some perspective as to the significance of this figure can be gained by noting that it is approximately one half the total amount spent by the Dominion Government last year. Another significant comparison is the fact that the total to be collected by the Dominion Government for income tax on individuals and corporations this year is estimated at $1,160 million or approximately the same amount which will be paid for transportation. One other comparison is also significant namely the total amount spent for the services provided by all the provincial governments in Canada. The total of such

expenditures in 1948 was $591 million, or approximately 50 per cent of the amount paid for transportation services. I might point out that in all these references, the figures for Newfoundland are excluded

"Still further indication of the tremendous importance to Canada of her transportation facilities is the fact that the Canadian population of 12,880 000 is spread over an area larger than any other country in the world except Soviet Russia and China. Much has been said and written about this tremendous area which is available for the use of such a relatively small number of people, but on the other hand this vast area means that a very great part of the total effort of those 12,880,000 people must be devoted to the sheer physical movement of themselves and their goods back and forth across distances which are probably greater than those which must be overcome by any other nation of the world. If one considers railways alone, the people of Canada are supporting 4.4 miles of railway track per thousand of population, while the people of the United States are supporting only 2.7 miles per thousand of population. Another view of this same matter is to look at the proportion of the total national income which is used to pay for transportation services. Since figures are not available for all transportation it is necessary to use railways only. As I have already pointed out, the 1948 revenue of the

C.N.R. and C.P.R. amounted to $778 million while in 1947 the revenue of other railways was $91 million. The total of these two items is $869 million or 6.8 per cent of the national income of Canada for 1948. In the United States the total revenue of Class I railroads in 1948 was $9,672 million or 4.1 per cent of the national income of the United States.

"As a further indicator of the importance of transportation charges in Canada, I would like to refer to one exhibit in the 20% Case, namely Exhibit 49/134 which shows that since July 1, 1946 freight rates on the C.P.R. have increased by 27.0 per cent on the average. That exhibit also shows that in the case of the C.P.R. it has been estimated that additional revenue resulting from these freight rate increases will be almost $68.5 million in 1949. Applying the same 27 per cent increase in rates to the C.N.R. freight revenue indicates that freight rate increases will amount to $74.7 million for the C.N.R. in 1949. In other words, the two railways together will, in 1949, collect $143 million more from their present freight rates than they would have collected from the same volume of traffic if it were carried at the rates which were in effect prior to July 1st, 1946.

Transportation in the Prairie Economy

This, then, is a brief comment on the transportation situation in Canada as a whole. I would like now to indicate, also very briefly, the Prairie Provinces' position. In the three Prairie Provinces there are two and a half million people living in an area which for many years was devoted almost exclusively to the production of primary agricultural products for sale in the markets of the world. More recently there has been an increasing amount of diversification, but it is still fundamentally true that the prosperity of the Prairies is in direct proportion to the prosperity of agriculture. The markets for surplus agricultural commodities are in Eastern Canada, in Europe, and in Eastern United States. The shipment from Western farms to these markets requires transportation over distances which are measured in thousands of miles and which are probably greater than the distances involved in the transportation to market of the products of any other comparable area in the world. For example, the distances from Brandon, the largest centre in Western Manitoba, are as follows:- to Vancouver 1,340 miles; to Montreal 1,492 miles; to Halifax 2,332 miles.

Our two great competitors on the markets of the world are ustralia and Argentina. In both those countries the rail haul to seaboard is short as compared to our rail haul. It is true that the total distances from the market of the United Kingdom are greater than in our case, but the fractions of these total distances which are made up of ocean mileage are much greater. In these shipments by ocean transport Argentina and

Australia have the advantage of the lower costs involved and in addition the competition among ocean carriers protects them against the danger of unreasonably high rates. With us the importance of the rail haul is much greater and it is in that part of the total distance that we feel that steps are necessary to offset any monopolistic tendencies of the railways to keep rates on carriage to seaboard at an unreasonably high level.

This then is the general situation with respect to the shipment of agricultural products to market. In the case of supplies for agricultural production or for the personal needs of farmers and others living in Western Canada, the transportation problem is of almost equal magnitude, because the vast majority of those supplies must be brought great distances either in the form of raw materials or of finished products, usually from Eastern Canada, the United States or abroad.

Unfortunately no precise statistics are available by which it would be possible to make an accurate estimate of the total transportation bill of the Prairie Provinces as a whole or of Manitoba in particular. One point is clear, however. The transportation cost to the people of this area per capita is very much greater than the average for Canada as a whole. As I have already mentioned, the transportation bill for Canada as a whole amounts to approximately $1,000 million per year or $78 per capita per year. It is our view that in the Prairies the cost of transportation is very much greater per capita than the Canadian average because of the long distances and because of the fact that on both our shipments out and

our shipments in, the people of the Prairies are forced to bear the bulk of the transportation costs on the heavy tonnage involved. Multiplying this percapita figure by the population of Manitoba gives $59 million which is one and two-thirds times as large as the Manitoba budget for the current year, and it is therefore our opinion that the transportation burden borne by the people of Manitoba every year must be at least twice as large as the provincial budget.

Public Regulation of Transportation Charges

These facts alone without further elaboration will indicate that the question of transportation and the question of the level and structure of the rates to be charged for the movement of commodities in a country such as Canada, are much too important to be left in the hands of any one interested party, whether that party be the management of the railway system, the shippers who make use of that system, the employees who operate and maintain that system or any other group which is directly concerned. This fact was recognized almost at the outset of railway construction, and as a consequence, in the early years of Canadian history, control over these matters was exercised by the Railway Committee of the Privy Council of Canada. Almost fifty years ago - in 1903 to be exact - the powers of the Railway Committee were transferred to the newly-created Board of Railway Commissioners which later became the Board of Transport Commissioners. It is our view that this principle is fundamentally sound and that matters of this type should be firmly under the control of some body acting on behalf of the people of Canada as a whole,

rather than any one or more interested groups.

In the early years of its existence the Board of Railway Commissioners was able to do a good deal of very effective work in controlling the excesses which might otherwise have developed and in alleviating discrimination against certain areas. It was perhaps inevitable, however, that with the passage of time the Board should begin to feel itself bound to follow the precedents of its old decisions regardless of whether or not conditions had changed in the meantime.

In our opinion the time has now arrived when steps should be taken to free the Board from the self-imposed restrictions placed upon it by its past decisions. For that reason we feel that among the matters with which you will be concerned the paramount questions are those which deal with the redrafting of the Railway Act in such a manner as to clarify and re-define the powers and duties of the Board of Transport Commissioners and the principles and organization to be used by it in administering those powers and carrying out those duties.

Other Submissions by Manitoba

Perhaps I should at this point, briefly outline the mechanics which we propose to follow in presenting the views of the Manitoba Government. On April 29 I forwarded to you a document which we called a Brief of Points. That document outlined very briefly our views on certain of the major matters with which you will be concerned. At that time we made it clear that we would make more detailed submissions at a later date. In my remarks today I propose to deal with four major issues and to indicate in

some detail our views on them. The remainder of the points and any other matters which may arise as a result of the hearings which you will be holding in various cities and as a result of the studies which you and we will be undertaking, will be dealt with in a more detailed brief to be submitted at Ottawa later.

I turn now to the formal part of the submission of the Government of Manitoba.

Manitoba's Long Standing Concern over Transportation Matters

From the very beginning of settlement in the area which ultimately became the Provinces of Manitoba, Saskatchewan and Alberta, it was recognized that the first requirement would be some reliable means of transport for bringing in the supplies of goods which could not be produced in the area and for shipping out the goods to be sold to pay for the goods brought in. In the very earliest days this trade was carried on by lake and river transport but was thereby limited to small volume. It was soon realized that no substantial number of people could attain a high standard of living in the area until a railway was provided. The great dependence of the people of this area upon rail transport was therefore obvious from the beginning, but that dependence carried with it the constant threat that the railways would use their strong position to impose monopolistic rates which would restrict the development of trade and thereby handicap not only the development of the area but also the railways themselves. For this reason the people of Western Canada have always been in the forefront of those who have opposed the efforts of the railways to take

advantage of their quasi-monopolistic position by imposing high freight rates which must be paid because there is no alternative transportation for the great bulk of the commodities which the people of the Prairies buy and sell. It is for this reason that in all the hearings before the Board of Transport Commissioners and in the discussions which have taken place on transportation policy generally, the Province of Manitoba, the City of Winnipeg and various groups in Manitoba, have always taken a very active part.

This became clear even before the first transcontinental railway was completed, for in 1880 the Government of Manitoba entered into active opposition to the provision by which the Dominion Government restricted the construction of railway lines south of the main line of the C.P.R., and for several years Manitoba used strong efforts to encourage the building of railways in that very area. In 1901 the so-called Manitoba agreement was signed between the Canadian Northern Railway and the Province of Manitoba under which the Manitoba Government took the authority to set freight rates in Manitoba and between Manitoba and the head of Lake Superior, in return for guaranteeing certain bonds of the Canadian Northern Railway. In the period from 1917 to 1922 Manitoba was active in its opposition to the various rate increase applications and in its support of having rates in Western Canada brought to a level more nearly comparable with the rates in Eastern Canada. In 1922-24 Manitoba took a vigorous part in the campaign to have the Crow's Nest rates re-established in Western Canada, In the period from 1946 to the present, Manitoba has worked actively with the

three Provinces from the extreme west and the three Provinces from the extreme east in all matters which have been under consideration by the Board of Transport Commissioners and the Dominion Government.

I have given this short review of Manitoba's continued activity in connection with freight rate questions for the purpose of making it clear that the interest of the people of the Prairies, and of Manitoba in particular, in matters of transportation, and particularly of the charges for transportation, is not a passing phase which can be lightly regarded. Rather it is one of the fundamental issues which have concerned our people over the whole period since the West was opened to settlement. I have indicated that one of the reasons for this deep concern is the fact that in the Prairie area and for the type of commodities which are of greatest concern to the people in that area, the railways have an almost complete monopoly, and there is really no alternative form of transportation available.

Markets for Agricultural Products

Another fundamental consideration in this connection is the nature of the market for our agricultural products. In wheat and in other grains, in livestock products generally, including dairy products, in the products of our base metal mines, in the products of our lake fisheries and our pulp and paper industry,Manitoba has geared its whole production program to a market many times larger than the local market in Manitoba. Many of these surplus products must seek their market in export trade; they must be sold at a price that the buyer in the

United Kingdom or the Eastern United States or elsewhere is satisfied to pay in the light of what he would have to pay for corresponding products bought elsewhere. In other words, these products must be sold in a highly competitive international market. The result is that the price is determined to a very large extent by factors other than the cost of transporting them to market. Consequently, the return to the producer is determined almost entirely by the world price less the cost of transporting them to market. Therefore, if transport costs are too high the return to the producer is reduced by the amount by which they are excessive. This same situation exists in respect to western primary products which are sold in the great cities of Eastern Canada in competition with products from other parts of our own country or from abroad.

Supplies which must be brought in

In the case of supplies which are brought into Manitoba the market situation is very different but the result again is that the cost of transportation falls in the main upon the people of Western Canada. The basic requirements of our people for the production of agricultural or other primary products or for their clothing, furniture and other household supplies, must be brought in, whether they live on farms, in our smaller towns and villages or in our cities. To an almost equal extent these products are sold on the basis of a factory price plus the cost of transport. The primary market is in the great cities of Eastern Canada or the United States or Great Britain, close to the producing factories. The price is determined by what can be secured in those markets

and the supplies which are shipped to Western Canada are sold there at the eastern price plus the cost of transportation.

The result is that any unnecessary charges for transportation fall upon the people of Western Canada twice: first, upon their income from the products which they sell and again, upon their expenditures for the products which they buy, or as it has been stated, Western Canada pays these charges both coming and going.

Fluctuating Income and Rigid Costs

It is no mere rhetoric to say that Western C nada is a country of widely fluctuating income. Anyone who has lived through the experience of the last twenty-five years needs no statistical proof of this fact. One set of figures may be of interest, however, namely the average cash income per farm in Western Canada in recent years. In 1928 the figure was $2,206; in 1933 it was down to $605; in the war years it went up rapidly to a peak of $3,630 in 1944; for the latest year for which figures are available, namely 1947, the figure was $3,622. It has been estimated that for 1948 the figure will be higher again. These figures are for gross cash income. Out of that income the farmer must pay his operating costs and during the bad years those operating costs could be cut, if at all, only by a much smaller percentage than the percentage decline in cash income. The result, therefore, was that in terms of net income available to the farmer for his own use, the fluctuations were much greater than those shown in the above figures.

One of the great causes of this extreme

fluctuation was, of course, the crop failures of the 1930's, but it is significant that even in those years the volume of production on western farms varied much less than grain prices. Even in the absence of the fluctuations resulting from crop conditions, Western Canada has always been subject to great variations in income resulting from fluctuations in price, and this instability is greatly aggravated by the fact that farm costs are much more rigid and cannot be proportionately reduced in periods of farm income decline. One of the most important and one of the most rigid of farm costs is that of transporting supplies and farm products. By way of illustration I would like to refer to wheat, although the record of other farm products and of the primary products of our mines, forests and lakes, is not materially different.

In the case of No. 1 Northern wheat, the Dominion Bureau of Statistics reports that the average price at Fort William was $1.46 per bushel in both crop years 1926-27 and 1927-28. In 1932-33 on the other hand, it was only 54¢. The price rose again to an average of $1.32 in 1937-38. In the crop year 1938-39 it was down to 62¢ and remained below a dollar per bushel until 1943-44. At the present time farmers are being paid on the basis of $1.75 per bushel. The point I would like to make is that during this whole period in which the price fluctuated between $1.75 and 54¢ per bushel and in which there were eleven years when the price averaged less than a dollar per bushel, the charges collected by the railways

remained completely rigid and unchanged. A farmer located in Western Manitoba at a point paying 10¢ per bushel as his freight rate to Fort William has therefore experienced the following situation.

	Fort William Price	Railway Received	Farmer Received
1926-27	1.46	.10	1.36
1932-33	.54	.10	.44
1937-38	1.32	.10	1.22
1938-39	.62	.10	.52
1943-44	1.23	.10	1.13
Present	1.75	.10	1.65

The transportation charges are thus completely rigid regardless of the price of the product. Furthermore, they are the first charges paid by the farmer out of his returns from his crop and are in fact deducted from his returns before he receives them. The railways are thus guaranteed their charges ahead of any other production cost whether it be the wages paid for necessary help, the taxes paid to support schools and other local services, the prices paid for machinery, gasoline, etc., which must be paid before the farmer has any income for his own use.

It is in our view essential that in considering these matters of transportation and particularly transportation charges, special attention should be directed to this record of fluctuation. One reason for reminding your Commission of it is that there has recently been a good deal of discussion regarding the relatively high prices for agricultural products and the relative prosperity of farmers generally and this has been used as a basis for an argument that they can well afford to pay higher freight

rates.

May I suggest that such an argument is fundamentally unsound because it overlooks:

(1) the fact that the present high level of agricultural prices and of farm income is closely associated with the world-wide shortage of food commodities which existed at the end of the war and that the long run prospects in this regard do not seem to indicate a continuance of this situation;

(2) the fact that costs of production have risen greatly over the same period thereby curtailing to a larger extent than is generally realized, the benefit to the farmer of the higher income;

(3) the fact that if transportation costs are allowed to reflect this high current level of prices and income it will be a very difficult matter if not completely impossible,to adjust them downward if agricultural prices decline in the future.

For these reasons it seems to us that it would be disastrous for western agriculture in particular, for the welfare of Canada as a whole and for the welfare of the railways themselves as well as the other transportation systems, if the present relatively prosperous conditions were used as the basis for a scale of transportation charges to be paid by Canadians at a level which they would find it impossible to continue to pay in the future.

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Canadian Trade Policy:

One other matter should not be overlooked in this connection, namely the influence upon Western Canada of the national policy which has directed Canadian trade into east-west channels in an effort to build up a national trading system. One aspect of this policy has been the building of an elaborate set of railway lines through the difficult construction area north of the Great Lakes. Another aspect has been the tariff policy which has prevented the people of Western Canada from following their natural trading route to the south through the Mississippi Valley and the Chicago area. One result of that policy has been to guarantee the Canadian railways a volume of traffic which would not otherwise have been theirs. This in turn has added to the bargaining strength of the Canadian railways and has bolstered up their already broad monopolistic position in Western Canadian transport. Another effect of it has been to call upon the people of Western Canada to pay prices for their supplies substantially higher than would have been necessary if they had been free to buy directly from the United States. We realize, of course, that your Commission is not called upon to deal with tariff matters, but we would like to record the fact that one of the important factors in the present transportation problem of Western Canada is the manner in which trade has been directed through Canadian transportation facilities as part of the national policy of Canada. Since this is the situation we of Western Canada feel that it is our right to be fully protected against any attempt to abuse the

strong position which this national policy has created for the railways. We feel that particular care should be taken to see that thecharges which are levied against us for transportation are kept to the absolute minimum which is consistent with the operation and maintenance of a satisfactory standard of transportation service for the type of product and the operating conditions with which we are concerned.

These are some of the matters which in our view should underlie the deliberations of your Commission on the policies which you will recommend regarding the matters referred to you.

Submissions:

I would like now to lay before you the major submissions of theManitoba Government as to the type of recommendations which we feel that your Commission should make. For the sake of clarity I would divide this section of my remarks into four headings:

(a) Our recommendations as to the necessity for a strong body acting in the interests of the public of Canada to exercise supervision over the operation of existing transportation facilities;

(b) Our recommendations regarding the policy which that public body should administer in respect of the determination of the revenue needs of existing transportation companies in the light of the expenditures necessarily made to maintain a standard of service satisfactory to the people of Canada;

(c) Our recommendations regarding the policy which that public body should administer in determining the type

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of rate structure to be applied in collecting from those who use the transportation system, the money to pay for the expenditures which are judged necessary;

(d) Our recommendations with respect to the Hudson's Bay Railway.

(A) Public Supervision:

Our first recommendations concern the necessity for a strong public body to protect the interest of the public generally against the danger that the transportation system itself or the rate structure might be abused for the benefit of one or more interested parties. The Brief of Points which was filed with you by the Province of Manitoba deals withthis question in the items which are numbered 4,5,6, 12 and 13, which read:

Item 4. In our view, the powers and duties of the Board of Transport Commissioners should be clarified and widened in an amended Act, so that they can exercise more effective control over special commodity rates, competitive rates, distributing rates, agreed charges, etc., to the end that the interests of the public in uniformity of rates should be protected so far as possible.

Item 5. It is our view that in considering the organization of the Board which is to administer the Act as amended, provision should be made to equip it with an adequate administrative staff and

organization, and to require it on its own motion to review and adjust rates which deviate from the general principle of rate uniformity.

Item 6. We submit that the Railway Act should give greater indication of the principles to be followed in the determination of the general level of freight rates. It is not our view that these principles must be set out exhaustively and rigidly applied, but it is very definitely our view that something more complete is required than the provisions of Section 325 which, in essence, merely state that rates should be fair and reasonable without giving any guidance as to how these terms are to be interpreted.

Item 12. It is our view that there should be a uniform system of accounts among all the Canadian railways to the end ithat it will be possible to more adequately compare the results of the different companies and to secure more complete information as to expenditures for particular purposes and revenues from particular sources. It is our further view that the Board should be equipped with adequate staff for supervisory and analytical work in this field so that the Board will have available to it individuals who are thoroughly

familiar with the Railway accounts, not only in the form in which they are finally published but also in much of the detail of the actual preparation of the accounts. In one regard we are particularly concerned, namely the regional divisions which are used by the two major railways. It is our view that these divisions should be set up in such a way that it is possible to secure an accurate record of operating revenues and operating expenses in the major geographic areas of Canada. Specificially we feel that such information should be available for the Prairie region as distinct from the rest of Canada.

Item 13. It is our view that a thorough review of the statistical and accounting reports which the railways provide to the Dominion Bureau of Statistics and to the Board of Transport Commissioners, should be made with a view to having those reports reorganized and improved to the end that they will provide more adequate material for use in future rate cases.

In my remarks today at this opening session of your Commission I do not propose to elaborate our stand in this regard or to deal with the details which will inevitably require careful attention. I merely wish to record the fact that it is the considered view of the Province of Manitoba that the present Railway Act requires substantial amendment to

bring it up to date and to insure that the Board of Transport Commissioners has adequate powers and adequate staff to enable it to fulfill theheavy responsibilities which must fall upon it under modern conditions. In Items 12 and 13 we express our view that in addition to anything that may be done to reconstitute the Board of Transport Commissioners itself, it is also essential that careful attention should be given to the form and availability of essential information which it will require in the performance of its duties.

(B) Principles for Determining Railway Operating Requirements:

The second major submission which we wish to make is that your Commission should recommend the principles to be followed by this reconstituted Board of Transport Commissioners when it is called upon to reach a decision as to the amount of money which the railways require to provide adequate transportation for Canada. This matter is dealt with in our Brief of Points under Items 1, 2, 10 and 11.

Item 1. The national system of railway transportation in Canada, including all the railway companies, is one of the fundamental bases of the general welfare of Canada and consequently it is essential that this service should be maintained at a standard which is sufficient to provide adequate transportation for the products of Canada, but it is equally essential that the standard of transportation services should not be one which is beyond the capacity of the people of Canada to pay for.

Item 2. Since the railway transportation service must be paid for by the people of Canada, it is essential that some system be established whereby the expenditures and revenues of the railway system can be carefully scrutinized from the point of view of the public interest. In order that the level of railway rates can be determined on a basis which is fair both to the railways and to the public, a set of principles and a system of records must be adopted for use in determining what expenses are properly chargeable against those who use railway services and what standard of maintenance and improvements are desirable and necessary in the interests of Canada as a whole.

Item 10. It is our view that in the interests of the public, and particularly in the interests of adequate control and inspection, depreciation as used in the determination of Canadian freight rates, should be calculated on a straight-line basis wherever it is allowed.

Item 11. It is our view that an accounting division of the C.P.R. corporation should be made between railway operations and non-railway operations both for capital purposes and for the purposes of current revenue and expenses. It is our submission that certain activities which are not completed railway operations, are so closely allied with the railway, that for operating purposes they should be considered as part of the system.

A few words of elaboration may be in order in this connection. It is neither proper nor desirable that I should at this time attempt to lay down the details of the policy to be followed in this regard. I do, however, wish to emphasize one fundamental consideration, namely that these matters should be approached from the point of view of the public of Canada and the welfare of Canada as a whole and should not be left entirely in the hands of the railways and their officials. During the recent freight rates cases a good deal of evidence and argument was advanced as to the propriety of maintenance charges, as to the desirability of certain improvements, as to the propriety of certain depreciation practices as well as other detailed accounting matters. Your Commission will have access to professional advice on these matters and various interested parties will no doubt present to you the opinion and recommendation of highly qualified professional people regarding them. I wish to emphasize one fundamental point in this first brief, however, namely that in determining these questions the criteria should be the capacity of the people of Canada to pay for transportation services and the effect which any decision will have upon the welfare of the people of Canada.

In dealing with this matter of the cost of providing adequate railway service I would like to refer to one other point. A good deal has been said in the press recently with respect to the increase in railway operating costs and among those who are not familiar with the situation it is commonly believed that cost increases alone justify the railways in

their applications for rate increases. Let me therefore point out that the records show that in fact railway revenues have increased more than railway operating expenses. Exhibits 49-138 and 49-139 filed in the recent 20% Case give the record for the two major railway systems since 1935. From those exhibits it is clear that the working expenses of the two railways have increased from $280 million in 1939 to $759 million at the present time, or by $479 million. A great deal of evidence and argument was directed by both the provinces and the railways, to the question of whether or not that increase was necessary and proper. I do not propose to deal with those questions at this time but I do wish to point out that if one looks at gross earnings over the same period, the increase is from $324 million to $809 million, or by $485 million. In other words, the increase in gross earnings has been just slightly larger than the increase in working expenses since 1939. The point is that the mere fact of increased costs for raw material and labor is not by itself conclusive in proving the necessity of freight rate increases. One must consider the total of the wage bill and other expenses, and compare this total with gross earnings. When this is done it appears that the position of the railways has improved despite wage and price increases. In these comparisons I have used the figures submitted by the railways as their estimates of revenue and expenditures, on the assumption that the traffic volume of 1948 would be handled at rates charged, wages paid, and prices of materials which were in effect at January 1st, 1949.

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I do not wish to become involved in details regarding the relative importance of increases in operating costs resulting from wage increases, traffic volume increases, increased depreciation provisions, increased prices for materials, or increases from other causes. I merely wish to point out that all these items should be reviewed from the point of view of the public good. The recent freight rate increases have been authorized to cover higher operating costs. One of the important causes of these higher operating costs is the higher wage bill of the railways as a result of increases granted their employees. Thus, one of the issues is a decision as to whether Canadians should pay higher freight rates in order to ensure to many categories of railway employees a level of wages higher than that paid for comparable work elsewhere throughout Canada. In our view this is a matter which is too important to be overlooked in your deliberations.

(C) Principles for Determining the Structure of Freight Rates

The third major recommendation which we wish to place before you is that your Commission should lay down the principles to be followed by the Board of Transport Commissioners in determining the structure of freightrates which are to be charged in Canada. It is self-evident that the rate structure so established should be such as to provide the necessary funds to allow the railways to cover the expenses which have been found necessary in accordance with the principles laid down in considering the points to which I have just referred and should at the same time be of such a nature that it imposes the least possible hardship upon those who use the transportation

services and pay the charges. In particular, it should be so constructed that it does not bear with undue weight upon the people in any area of upon those who are interested in any particular commodity. In our Brief of Points these matters were dealt with in Items 3, 7, 8 and 9.

"Item 3. It is our submission that it should be a fundamental principle of the Canadian railway freight rate structure, that freight rates charged for the same traffic over the same distance should be equal, except where costs, competition, the needs of national development or other circumstances require some deviation from that principle.

Item 7. In our view one of the disadvantages which Western Canada suffers under the present rate structure, arises from the fact that the average level of rates in Western Canada exceeds the average level of rates in Eastern Canada. In this regard we refer to the overall average level of all rates and not to the rate or rates for any particular commodity. We submit that this disadvantage should be eliminated.

Item 8. It is our view that all rates, but in particular those which are substantially below the average level of rates for comparable commodities, should be carefully reviewed and that those which are uneconomically low should be raised before any action is taken toraise the general level of all rates. We would define, in broad terms, the phrase "uneconomically low" to

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mean rates which are so low in relation to the cost of handling the traffic involved and in relation to the competitive situation, that the general welfare of the railways, the shippers and the public would be better served if the rates were higher. The actual level of the rates is not conclusive but if any rate is very low as compared with the general average of rates for comparable commodities it is our submission that that rate should be investigated. In this connection, it is our view that investigation would establish that a substantial number of these rates which are alleged to be low are not uneconomical and are, in fact, necessary for the welfare of Canada. It is our submission that this is the situation with respect to the rates for grain and other primary products in Western Canada.

Item 9. On a more technical matter, it is our submission that the class rate structure as it now applies in Canada should be carefully studied together with certain recent changes directed by the Interstate Commerce Commission of the United States, with a view to determining whether or not it would be advisable to establish an additional number of classes in Canada at rates lower than the present 10th Class rate so that a greater percentage of the traffic will move at class rates and will consequently be under more adequate control by the Board of Transport Commissioners."

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Here again I do not intend to go into detail but a few words of elaboration are probably in order. In this connection our fundamental submission is set out in Item 3, namely that freight rates charged for the same traffic over the same distance should be equal except where there is good reason for deviating from that principle. As to the validity or acceptability of the various reasons for deviating from that principle we will submit detailed evidence at a later hearing. There are two points, however, which I would like to emphasize now.

(1) It is in our view, fundamentally unsound that rates in the Prairie area should be allowed to continue at a level higher than in other parts of Canada at the same time that operating costs and capital investment in the Prairie area are substantially lower than in other areas.

(2) We think it is fundamentally unsound that rates should be reduced to meet competition or for any other reason and should then be allowed to continue indefinitely at that lower level long after the circumstances which originally led to the reduction have disappeared.

It is for that reason that in Item 8 of our Brief of Points we ask for a review of all rates which are substantially below the average level of rates for comparable commodities.

It is our belief that a substantial number of competitive rates, agreed charges and other special rates, have been allowed to continue in effect notwithstanding the fact that in some cases they were initiated without

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due regard to all the circumstances and the fact that in other cases the original circumstances such as competition, operating costs, or the needs of national development may now be materially altered. We feel that such rates are particularly numerous in Ontario and Quebec and that they are one of the important reasons why rates in Eastern Canada are, on the average, lower than rates in Western Canada. For that reason we are specifically asking that all such rates should be reviewed.

Let me point out at once that we are not advocating that all rates which are alleged to be low, should be raised. In fact, in the final sentences of Item 8 we state our opinion that a substantial number of these rates which are alleged to be low are, in fact, not low when compared to the cost of handling the traffic involved and when considered in relation to the welfare of Canada. I would therefore like to make it clear that in Item 8 our request is that these rates which are alleged to be low should be looked at by a body which is charged with the protection of the welfare of Canada generally and that before that body interested parties should have a full opportunity to discuss the particular rates concerned and to justify any proposals which they make with regard to them. We strongly object to the practice which has been followed by the railways in their arbitrary handling of rates such as those on farm machinery, seed grain, and pure-bred livestock, in which rates were raised without public hearing and without

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opportunity for those who would be called upon to pay the higher rates to state their point of view to a public body.

In this same connection I would like to mention the effect which the rate structure of the railways has had in the formation of the industrial pattern in Canada. We are all familiar with the centralization of industry in the Eastern provinces, the comparative lack of industrial development in the Prairie Provinces and the fluctuations in the prairie economy resulting from its predominant dependence on one major industry, agriculture, It is our strong conviction that certain features of the freight rate structure have acted in no small way toslow down the development of a potentially large field of industrial activity in the prairies.

In particular, the so-called transcontinental rates have, in our view, given Eastern Canada and the Vancouver area an unjustified advantage which is not available to manufacturers and distributors in Winnipeg. The effect of these transcontinental rates between Eastern Canada and Vancouver is to establish rates for the long haul in either direction at levels which are not materially different from the rates for the shorter haul between Winnipeg and Vancouver or between Winnipeg and Toronto. Infact, in a few cases the rates between Toronto and Vancouver are actually lower than the rates between Toronto and Winnipeg. Whatever may have been the original justification for these rates in terms of competition with water transport through the Panama Canal or with American railways, it is our view that conditions have now changed to such an extent that the transcontinental rates should be substantially increased if not eliminated entirely. We would not, however, propose that this should be done without a full review of the whole situation and without an opportunity for those interested to express their views to a public body acting under the authority and in the interests of Canada as a whole.

"In this connection I might mention that we have noted that at least two of the briefs filed with your Commission, namely, the brief from the Canadian Manufacturers' Association and the

brief from the Industrial Traffic League, refer at some length to the grain rates in Western Canada, which are commonly known as the Crow's Nest Rates. I do not intend at this time to attempt an exhaustive review of that situation,but it is Manitoba's contention that -

(1) rates now being charged in Western Canada including the grain rates, return a satisfactory revenue to the railways over and above operating costs in the area;

(2) the original cost of constructing railways in the Prairie area and the present cost of maintaining and operating those railways are much lower than corresponding costs in other parts of Canada.

"It is therefore Manitoba's conviction that the present grain rates although alleged by many to be 'low rates' are, in fact, not 'low' when compared with the costs to the railways for carrying the traffic involved, and that they provide a good return to the railways for the service which the railways perform. I would go further and assert that even if this were not so, it would nevertheless be true that the interests of Canada as a whole require that, on our greatest export commodity, every effort should be made to see that the producer is not under the handicap of paying excessive transportation costs which would make it more difficult for him to compete in the markets of the world.

(D) Hudson's Bay Railway

"One final matter is mentioned in our brief of points, namely Item 14 which refers to the Hudson's Bay Railway. In this regard our concern is with the provision of transportation facilities in the newer areas in the northern part of Manitoba where present transportation facilities are underdeveloped, and with the use of this railway for the movement of Canadian products to market and for the bringing in of supplies.

'Item 14. With respect to the Hudson Bay Railway it is our submission that in the interests of Western Canada in general and Manitoba in particular, the maximum effort should be made to utilize that railwoad to the greatest possible extent, as a means of moving farm products to the markets of the world; as a means of bringing supplies from Europe and elsewhere; and as a means of improving transportation facilities for the rapidly expanding mineral industries in Northern Manitoba.'

Conclusion

"In view of the nature of this subject it does not seem feasible that I should attempt to summarize the points which are already presented in a very concentrated form in the Brief of Points itself. As I have already indicated, the position of the Manitoba Government on these and other issues

will be outlined in detail in our more complete submission later and consequently I merely wish to conclude by thanking you for your close attention and by expressing the hope that I have dealt with this subje. in a manner which will be helpful to your Commission in its deliberations."

THE CHAIRMAN: Mr. Premier, at this stage I wish, on behalf of my colleagues and myself, to thank you most heartily for the time and the care that you have devoted to preparing and presenting this very comprehensive and very lucid brief to us, setting forth the position which your province takes in regard to the inquiry which we are conducting. We know, of course, as you have said and as Mr. Shepard has told us, that we are to hear more about this later on, and in greater particular.

In the second place, we all wish to thank you for the very kind words of welcome which you said respecting our three selves. You were all too generous and too kind when you referred to me, and I think what you said concerning my colleagues is very appropriate indeed.

Finally, I wish to say that we thank you, and through you the Government of the Province,for having furnished us with this splendid and most commodious room in which to hold our meetings. It is a great pleasure for us to be able to sit within the Legislative Building in the province, and particularly in this part of it, which is so well fitted for proceedings of this kind. As you say, this is our first sittings in Canada, and we are happy to have been able to hold the first sittings in the very centre of the country, and in these very convenient quarters. So we feel very grateful to you.

At this stage we will take about five or ten minutes' recess, and then come back and proceed with the business of the day.

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At this point a short recess was taken.

-- After Recess:

THE CHAIRMAN: Mr. Shepard.

MR. SHEPARD: Mr. Chairman, I have no questions to ask.

THE CHAIRMAN: Does anybody else desire to intervene at this time?

MR. EVANS: I would like to, sir, if it is convenient.

CROSS EXAMINED BY MR. EVANS:

Q. I hope, Mr. Premier, that you won't mind.

A. I not only do not mind, but I expected it.

Q. I won't take very much time, I hope. I should like to direct your attention, Mr. Premier, to pages 3 and 4 of your brief. In those pages you speak of the percentage of national income which is expended in transportation costs, and I was wondering if you had considered that over the past number of years since about 1920 there has been a substantial and steady decline in the percentage of national income expended in railway transportation?

THE CHAIRMAN: I beg your pardon?

MR. EVANS: Q. A substantial and steady decline in the cost of railway transportation measured in terms of national income; have you investigated that at all?

A No, I did not pay any attention to that. These are the present figures, as I understand it, that I am giving. It is the present and the future that we are interested in, Mr. Evans.

Q. I suggest to you that there has been a very steady and quite a marked dedcline in the percentage of national income used in the cost of railway transportation.

A. There has also been, these figures show, a steady rise in the over-all cost of freight to the shipper.

Q. You mean in the rate level or ---

A. Both in the rate levels and in the -- the figures quoted here show that there have been substantial rises in the total freight bill.

Q. That would be in part due to volume increase, probably substantial?

A. Oh, no doubt.

Q. Volume increase?

A. No doubt; volume, and in some cases rates.

Q. Then on page 4 you speak of the distances which the movement of persons and goods are required to make in Canada, and I think you use these words: "(They) are probably greater than those which must be overcome by any other nation of the world," and I put it to you that the average haul on freight in Canada according to the Dominion Bureau of Statistics in 1946 was 397 miles. Are

you familiar with that figure?

A. I am not familiar with that, but that is not the one that I was using, anyway. I had particular reference to the western Canadians, particularly the prairie provinces, shipping their goods.

Q. Yes. Although there you are speaking of Canada?

A. Yes, Canada, but with particular reference to the western ---

Q. And I suggest to you further, Mr. Premier, that the average haul in the United States in the same year of 1946 was 433 miles as compared with the Canadian average haul of 397 miles; are you familiar with that figure?

A. No, I did not know that figure.

Q. Then on the next page you discuss further the question of the haul from western farms, and you make comparisons, not in detail, between the hauls in Canada for the western farmer and the producers of western products in Argentina and Australia, and in your comparisons it was not clear to me whether you had given effect to the long water haul from the head of the lakes to seaboard; had you give effect to that in your considerations?

A. Regardless of which method was employed, we were simply making the point that the proportion of the rail haul here as compared to the total haul is greater in Canada than in these other agriculturally exporting countries of which I was speaking.

Q. I take it, though, that the comparisons involve the mileage to the seaboard without regard to the haul on the lakes?

A. That is right; to the extent that the haul on the lakes entered into any of them, it should be taken.

Q. And I take it that it is a substantial factor in the hauling of wheat from the western provinces, in fact right down to Montreal from the head of the lakes, is it not?

A. But my judgment would be, without having the figures before me, that even with it taken in, the statements here are still correct.

Q. Well, could we get it this way, that in the paragraphs with which we were dealing there was no consideration given to the effect of the water haul from the head of the lakes?

A. No, I would not say that.

Q. Then is it your suggestion that the haul from the prairies to the head of the lakes is a longer rail haul than in Argentina and Australia?

A. Taking the fact that much grain and other things move independently of that.

Q. Of the waterways?

A. Yes.

Q. That is to say ---

A. That the over-all would be as I have stated.

Q. That is to say, when you say they moved independently, you mean that a large part of your products moved by rail although the water was there?

A. Yes.

Q. But I was going to put to you this, that, whether they move by rail or not, they do benefit, I think,

from the fact that the water haul is available, do they not?

A. Well, perhaps.

Q. So that it really does not matter very much whether they actually move by water or by rail if the effect of the water haul is in the freight rates?

A. If it has that effect.

Q. Yes. Then you, I think, also, if I may suggest to you, did not give effect to the consideration that also appears in the rate structure east of the lakes which comes about owing to the fact that the rate on grain from the lake ports to the Atlantic ports in Canada is fixed in terms of the Buffalo-New York rate; did you consider that?

(Page 88 follows)

A. Mr. Evans, the whole point I am making in that part of the brief is not an attempt to attack the rate structure as such or to give figures regarding the actual freight rates charged. It is simply to indicate the over-all importance of the transportation system to the people of Canada, and especially to the people of the Prairie Provinces, and particularly the people of Manitoba. So far as the individual rates on particular mileages and in certain localities are concerned, I am not familiar with them.

Q. I do not want to go into that with you. I am only pointing up this question of distance of rail hauls as compared with those for producers of agricultural products in these other countries. I am suggesting to you that the mileage is not the measure of the burden of the western farmer bec use of the factor first of water rates, and also the factor that the mileage from Buffalo to New York, which is only 441 miles, fixes the rates for the longer haul which averages about 946 miles from the bay ports. Therefore the question of mileage unrelated to this other factor does not quite point up the whole problem, does it?

A. It is an interesting, and I think a useful point, and the members of the Commission will decide themselves whether they think it is preferable. I would have to agree that competing countries with Canada agriculturally, Argentina and Australia have - I stay with the suggestion in the brief - a shorter rail haul and a higher percentage of water haul, where they have competition on the water haul, as compared to Canada. So far as individual rates

are concerned, I purposely did not go into that.

Q. I do not want you to, and I am not asking you to.

A. Even if you did want me to I would not because I am not familiar with it.

Q. Just in passing, on page 7 you speak of some body acting on behalf of the people of Canada, and I think at a later stage you speak again of a public body. I wanted to get clear in my mind whether you had in mind anybody to administer the Railway Act other than the Board of Transport Commissioners?

A. In mind?

Q. Yes.

A. We are simply laying suggestions and recommendations before the Royal Commission.

Q. Yes?

A. Our suggestion is a body. We are not suggesting that it should not be the Board of Transport Commissioners. We think there should be some reorganization and some strengthening of the administration, procedure, and such like, but it is not intended to suggest another body.

Q. I should like to direct your attention to a statement on page 9 about two-thirds of the way down which reads as follows:

> "For this reason the people of Western Canada have always been in the forefront of those who have opposed the efforts of the railways to take advantage of their quasi-monopolistic position by imposing high freight rates..."

I gather that what you have in mind is that this so-called quasi-monopolistic position is the basis on which

the railways perhaps might make too much money. Is that your feeling?

A. It is not a question of how much money they make; it is how much of it they take out of freight shippers.

Q. Do I get you correctly when you say that the effect of what you have in mind there is that the railways have taken advantage of this position that you ascribe to them?

A. That there has been a tendency in that direction, yes.

Q. The tendency is not in regard to their desire to make too much money?

A. Well, we are not commenting on the amount of money. We comment on the level of the freight charges, the tendency to --

Q. You can divorce the two of them in your thinking, can you?

A. It is not a case of divorcing them; it is simply a case of which side you put the emphasis on, We do not mind the railways having money. We do not like more than is necessary being taken out of the freight shippers, but do not put it that you are making too much money. It is simply that we do not want the rates to be too high.

Q. I am not putting words in your mouth. I want to know what you did mean when you said the railways were taking advantage of this position?

A. To keep freight rates up.

Q. That is to say, to keep freight rates up higher than they should be?

A. Yes.

Q. I assume that means if they are higher than they

should be then they make too much money?

A. Well, that would be the natural assumption.

Q. You think that condition has obtained in the past?

A. Yes.

Q. And is obtaining today?

A. Yes.

Q. Then on page 12 there is a reference which I wish to mention in passing. The statement is made there that the basic requirements of the people of Manitoba for clothing, furniture and other household supplies, must be brought in. I have in mind a man who appeared here two years ago representing the clothing industry in Winnipeg. My recollection is that you have a very large clothing industry here. Is that true?

A. Yes, and to the extent - these are general statements - that there is diversification, and we mention the fact that diversification has increased considerably in the West. To the extent that it has, and that manufacturing has been established here, then of course these remarks do not apply.

Q. It is probably relatively less true of the clothing industry than others?

A. I am not an expert on that, but probably so.

Q. My understanding is that the clothing industry employs something like 5,000 people?

A. A lot of people. There would be some other industries where we have had considerable establishment, too.

Q. Commencing at the bottom of page 12 and running over onto page 13 you give some figures of the average cash income per farm, and I think they are gross figures. I

gather from your brief that that covers Western Canada as an average. I was going to suggest to you that Manitoba is perhaps a little better off than the average, is it not?

A. You mean Manitoba as a province?

Q. Well, the cash income per farm is higher in Manitoba than in other western provinces?

A. Some years, yes.

Q. I suggest to you that in 1944 - I am assuming that there is the same number of farms in 1944 as in 1948; I may say I got this from the budget speech - the estimated gross income per farm was $4,810; in 1945, $4,170; in 1946, $4,890; in 1947, $4,965; in 1948, $6,290. That would appear to be very much higher than the Western Canada average?

A. That may have been set up on a somewhat different basis from that of the Dominion Bureau of Statistics. We purposely took the figures of the Dominion Bureau of Statistics because they use the same system all across Canada. We purposely took Western Canada because that is what we are dealing with in this section.

Q. Depending though, I think --

A. But the same thing would be generally true. Fluctuations to practically the same extent have taken place in Manitoba as in the figures for Western Canada.

Q. There are really two questions. One is the level of farm income?

A. Yes.

Q. And the other is the question of fluctuations?

A. Yes.

Q. But I think I am right, am I not, in saying that

Manitoba is doing rather better in that regard than the rest of Western Canada?

A. We are a very modest group of people in Manitoba, but I think under pressure I would have to admit that perhaps we are a little the best province in the west, yes.

MR. O'DONNELL: Due to good government, I suppose.

THE WITNESS: Can you work in something for the government on that?

MR. EVANS: Q. Well, I might, because I was intending to put to you a question as to fluctuations,that perhaps the fluctuations were not quite as abrupt and marked in Manitoba as in the rest of the western provinces.

A. Well, I am afraid my modesty would have to come to my rescue again because if you go back to the years we quote, 1932 or 1933, you will find that the fluctuations were just as great here as in the other western provinces.

Q. What I was going to suggest to you was that the trend in Manitoba is to a greater diversification of industry to a greater degree than in the other western provinces, and therefore a more stable economy in the province. Would you agree with that?

A. You might put it that way, but I would say no, that the diversification of Alberta particularly is now maybe even greater than ours.

Q. Since the oil discoveries, I suppose?

A. Yes, and perhaps even before, because it has a wide range of diversification.

Q. I have in mind that I have seen figures somewhere to indicate that the gross value of industrial production now exceeds agricultural production in the province?

A. I think that is true, but in order to get that figure you have to take a lot of secondary agricultural production in with your industrial production, and it is a question of just where you draw the line.

Q. Whatever you take in, for comparative purposes you would take it in somewhere else, and I am merely asking whether that may be said to be true of the other western provinces. My impression is it would not be true.

A. It would not be true, I think, as regards Saskatchewan, anyway.

Q. And that in itself would tend to stability, would it not, diversification of industry?

A. A certain amount, yes.

Q. On page 15 you make a statement reading as follows:

> "...if the present relatively prosperous conditions were used as the basis for a scale of transportation charges to be paid by Canadians at a level which they would find it impossible to continue to pay in the future."

I want to ask one question about that. I gather you do not suggest - although it is not clear from what you have put in the brief - that the basis for the scale of transportation charges is linked with the ability to pay of people in terms of their income, do you?

A. I did not get your question.

Q. Do you suggest that the application of the railways for an increase in freight rates is made merely because of the ability to pay of the people, as indicated from what you have here?

A. We do not suggest that. In fact we suggest the

opposite, but we say at the top of page 15 that some other people have been suggesting that the present high level of income and the present relative prosperity are indicators that we can pay these higher freight rates. I am not sure of the source, but I believe that came from the railways.

Q. Perhaps I might suggest this to you. The railways come along and ask for an increase because of increased costs. Then certain quarters have set up the defence that they have not the ability to pay, and then there is a counter suggestion that they have the ability to pay. I suggest to you however, that is a very different thing from suggesting that rates are fixed on the basis of the prosperity of the people or the ability of the people to pay. I suggest that rather they are fixed on the cost of doing the business of transportation. Would you accept that?

A. That is correct in general. We mention in our brief that they have to be sufficient to do that, but on the other hand we also suggest in our brief that although costs have increased revenues have also increased for the railways.

Q. I will come back to that at a later stage, if I may. On page 16 you speak of the result of the tariff policy being to direct traffic east and west in Canada, and at the middle of the page there is this sentence:

> "One result of that policy has been to guarantee the Canadian railways a volume of traffic which would not otherwise have been theirs."

I put it to you that if the condition of a north-south movement of traffic had existed from the beginning of time probably the form of the railways of Canada would have been different from what it is?

A. I think that is correct.

Q. You say that the result was to guarantee to the Canadian railways a volume of traffic which rather suggests to my mind that it was done to protect the railways, but I suggest to you that the railways developed in exactly the same way that the traffic developed, and that the traffic has not been made to move to suit the railways. That is what I am suggesting.

A. We are not suggesting it was done to protect the railways, but simply that the fact is there and that is the result. We make it plain that we realize that is not a matter that the Commission is expected to deal with at all.

Q. I wanted to make it clear that perhaps that sentence might be misconstrued. That is the only reason that I troubled you about it. I should like to turn now to a question to which you referred a minute ago. On page 24 you make some comparisons taken from exhibits in the 20 per cent case; in that you show that the increase in revenues has been slightly greater than the increase in expenditures since 1939. I am wondering whether you had before you when you had that brief the evidence in the 20 per cent case, a great deal of which went to show that 1939 was an abnormally low year in many respects. Are you familiar with that?

A. No, Mr. Evans. I am sure that you and the members of the Commission will recognize the fact that I am not an expert on the accounting matters.

Q. But I think you will agree with me that if 1939 was a low expense year, and a small amount of work was done in 1939, it would affect the validity of your comparison, would it not?

A. Well, I am not familiar enough with the figures to give comparisons, but I am sure that some of our technical men will be more than happy to debate that matter with you at some later time.

Q. I am not asking you to agree that 1939 was an abnormal year, but if it was an abnormally low year then the comparison would be affected?

A. All relative matters should be taken into account. I will grant you that.

Q. Then I suggest to you that this contention which you put forward on page 24 was gone into very fully by the Board of Transport Commissioners in both the 21 per cent case and in the 20 per cent.case. You know that to be the fact?

A. I know that these figures were pretty carefully reviewed. I am also quite sure they will be again in this hearing.

Q. But all I am saying to you is that in the 21 per cent case at least they were gone into very fully and the contentions of Manitoba in that respect were not given effect to. You recall that?

A. I remember that they were not given effect to in several regards.

Mr. SHEPARD: I do not want to interrupt my learned friend. He has made the suggestion that the Manitoba contentions were not given effect to. In fact

they are still under consideration by the Board of Transport Commissioners, both as to the substantive hearing of the 20 per cent case and the review of the 21 per cent case.

THE CHAIRMAN: That is a fact, is it?

MR. EVANS: If I have not made myself clear, I should have done so. I do not want to leave any erroneous impression.

Q. I put it to you that in the 21 per cent case there was a substantial inquiry into this question, and that the Board wrote its judgment, and that judgment is now under review. I am not denying that, but when the Board wrote its judgment it was not given effect to after all the hearings. Then I suggest to you that again on the review of which Mr. Shepard speaks, and in the 20 per cent case, that suggestion was made again by Manitoba, and it has not yet been accepted?

A. Probably it will be this time. We are putting it up again.

Q. On page 25 you raise this issue in the following words:

> "Thus, one of the issues is a decision as to whether Canadians should pay higher freight rates in order to ensure to many categories of railway employees a level of wages higher than that paid for comparable work elsewhere throughout Canada."

Do you think that railway wages are too high?

A. Well, we think what we say here, that it is one of the important factors in the increased operating costs.

Q. There is no doubt about that.

A. That is right, and with all these factors under

review one as important as that one should be called to the attention of the Commission, and if they agree with what we state here, that in many categories of railway employees a level of wages is paid that is higher than that paid for comparable work elsewhere throughout Canada, then we think that is a proper subject for them to give consideration to.

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Q. How would they give consideration to it? Would they suggest that railway freight rates be reduced and somebody else absorb that increase in wages?

A. I think I would leave that to the Commission.

Q. You have no suggestion to make on it?

A. I suggest it is a proper field for examination, inasmuch as it is a very important factor in increased costs.

Q. My difficulty is that you say that one of the issues is: Whether Canadians should pay higher freight rates? I gather your suggestion must involve that freight rates must be fixed at a level which would not pay those higher wages.

A. Our suggestion would involve all the factors which enter into the costs upon which the railways base their rates.

Q. What would you do with it? Supposing the Commission agreed with you that the railway rates were a little too high.

A. That would be for the Commission to decide.

Q. Do you say that the Canadian freight shipper should not pay that?

A. That is right.

Q. Somebody else would have to pay that. Who would pay that?

A. Probably they would not be paid under those circumstances.

Q. Is there anything that the railways could have done, in your mind, which would have prevented that increase in wages last year?

A. Do you think that is a subject we should go into?

Q. Surely you must have some idea. To reflect these things, you mustthink either that the railways were long in paying the increase, or some reason must exist for providing the railways with rates which would pay that increase.

A. We take the view, as we mentioned here, that like other important factors, they must all be considered as a unit and looked at by the body which is reviewing.

Q. Yes. Now then, if I might summarize the suggestions which you make at page 25, I think, in the brief, and the items beginning on page 21, it amounts to this: That the submission of Manitoba is, first: the standard of service to be followed by the railways is to be laid down by statute. That is in item 1, I think, at page 22, beginning at the bottom of page 21. There you say:

> ". . . the standard of transportation services should not be one which is beyond the capacity of the people of Canada to pay for."

That would mean that somebody would have to determine the standard ofservice, and I assume that would be one of the functions of the Board, and of the statute, to determine the standard of service.

A. Well, the Board, yes.

Q. How would the ability of the people to pay be determined? Would the Board hold inquiries to determine the ability of the people to pay, and then fix the standard on that in the following year, that the railways should perform in the way of service. Is that your view?

A. I would not think that would be necessary, Mr. Evans.

Our whole point is that the railway rates should not be built up to a height that the shippers of Canada cannot afford to pay.

Q. In effect, generally, what you mean to say is: that there is a danger that the railways themselves will provide too extravagant a service in terms of the ability to pay, and that somebody should lay down in a statute the means by which an appropriate standard of service should be set up.

A. Not necessarily in a statute; but the statute should give authority to the Board to do that thing, yes.

Q. And I take it there would be authority resting on the Board to inquire from time to time into the ability of the people to stand that.

A. We suggest that they should have the statistical and other services which are necessary to perform all their functions; and I think they would keep that point inmind as well.

Q. Then your next suggestion is that the standard of maintenance should be laid down by statute, and similarly, I suppose, the Board or the statute would lay down the things that were to be done, or to be treated as normal maintenance, andthose things which, beyond that, should not be done as a maintenance charge.

A. The level of maintenance generally and the amount that could be charged to that.

Q. So that management would have no control really over the amount that it was to spend on maintenance. Management operating a road might feel certain things should be done.

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A. I do not think it would be carried to that extreme, likely. But if management were inclined to put in some figures which appeared to be pretty excessive for maintenance for a certain year, the Board would have authority.

Q. That would be a little different from setting it out in a statute.

A. Our suggestion is that the authority should be given in the statute. I think we say definitely that we do not think that the statute should go into all the details of these things.

Q. No. I quite agree, not all the details. But at least the statute would set the standard, something to guide the Board.

A. You would have to set it out in pretty complete detail, or give corresponding authority to the Board.

Q. So with regard to these two items you still further abridge the authority of management over its expenditures.

A. Surely!

Q. Both with respect to standard of service and standard of maintenance.

A. Yes.

Q. At page 23 you state further, dealing with these questions, that these matters should not be left entirely in the hands of the railways and their officials; and then on page 25 you make this statement:

"It is self-evident that the rate structure so established should be such as to provide the necessary funds to allow the railways to cover the expenses which have been found necessary in accordance with the principles laid down in considering the points to which I have just referred. . . ."

That is to say that the railway rates should never permit the railways to keep more to charge to expenses than is prescribed according to the standard of service, the prescribed standard of service and the prescribed standard of maintenance. Do I correctly interpret you?

A. I do not know if that follows exactly. They might get some more. They might get some reserves.

Q. Yes. Then the other thing would be; if railway wages were too high; and, as you told me before, railway rates should not be high enough to pay the wages that were too high, thus somebody other than railway management would also have to deal with the service, or you have got a standard of service, a standard of maintenance, wages, and labor conditions really out of the control of management, in your picture.

A. I do not think that follows.

Q. You do not go that far?

A. I do not think it would be necessary to go that far.

Q. You do not think it is a necessary incident of your suggestion?

A. I do not think it necessarily follows from our suggestion.

Q. Frankly I was interested in knowing how we could carry on under those conditions.

A. You have got along pretty well under considerable supervision already.

Q. Are you suggesting there should be a change?

A. What has worked very well up to date would simply be strengthened and brought into conformity with present conditions.

HH

Q. In respect to specific standards of service and standards of maintenance and wages.

A. And other factors.

Q. You have said that the railways have done very well, but their management should still have less and less power in this respect to control their operations.

A. The management would continue to have the power and the responsibility, subject always to these matters which affect the public.

Q. At page 26 you speak about the average level of wages in Western Canada exceeding the average level of wages in Eastern Canada. Now I want to put to you some figures which appear in exhibit 107 in the Mountain Differential Case before the Board; and I suggest to you that, excluding grain and grain products - - -

THE CHAIRMAN: What exhibit is that?

MR. EVANS: Exhibit 107, Mr. Chairman.

THE CHAIRMAN: Exhibit 107 in what case?

MR. EVANS: In the Mountain Differential Case before the Board which was argued this winter.

MR. EVANS: Q. I suggest to you, Mr. Campbell, that in the twelve months, according to thatexhibit, ending September 30, 1948, and excluding grain and grain products, the average revenue per ton mile, in the prairie region, was 1.18 cents; in the Eastern region, 1.4 cents; and all lines including the Pacific region, 1.31 cents. Have you any reason to doubt that?

A. I do not think it has any bearing on this particular item, Mr. Evans, because we make it very plain there that we are referring to the over-all average level of rates and

not to particular commodities.

Q. I am not either. I am talking about average earnings per ton mile in the prairie region, according to this exhibit for the twelve months ending September 30, 1948; that they were 1.18 cents per ton mile, and in the Eastern region 1.4 cents; and the national average, that is, the Canadian average for the Canadian Pacific was 1.31 cents.

MR. SHEPARD: I think, Mr. Chairman, our friend is referring to average earnings per ton mile, while our item 7 refers to the average level of rates.

THE CHAIRMAN: The difference between rates and earnings is what must be borne in mind. You are referring to earnings, Mr. Evans.

MR. EVANS: I am referring to earnings per ton mile for the prairie region, 1.18 cents per ton mile.

THE CHAIRMAN: 1.18 cents.

MR. EVANS: And for the Eastern region - - -

THE CHAIRMAN: That is for the prairies; and for the East it is what?

MR. EVANS: 1.4 cents. If you would like to have the Pacific region, it is 1.35 cents, and all lines of the Canadian Pacific, 1.31 cents.

MR. SHEPARD: Mr. Chairman, I have not got that exhibit before me, but I take it that that figure excludes grain rates.

MR. EVANS: Yes.

THE CHAIRMAN: Oh! This does not include grain rates.

MR. EVANS: No.

THE CHAIRMAN: You are talking of earnings and not rates.

MR. EVANS: Earnings per ton mile.

THE CHAIRMAN: This does not include earnings on the transportation of grain.

MR. EVANS: Exactly. But I can give it to you including grain, if the Commission desires it. In the same period the earnings per ton mile including grain - this is not included in the exhibit, but I would be glad to satisfy my friend as to the authenticity - in the prairie region is .92 cents, per ton mile; and in the Eastern region, 1.21 cents per ton mile; and all lines, 1.08 cents per ton mile.

THE CHAIRMAN: What is the last figure for all lines?

MR. EVANS: All lines, 1.08 cents per ton mile.

MR. SHEPARD: I was going to suggest, Mr. Chairman, that it might be interesting to have Mr. Evans give us at the same time the net figures. These are gross figures.

MR. EVANS: I should be glad to, but I have not gotthem here.

THE CHAIRMAN: Mr. Evans is talking about figures that are to be found in a certain exhibit which is filed before the Board.

MR. EVANS: Yes, Mr. Chairman.

THE CHAIRMAN: And that exhibit does not contain the net figures, does it?

MR. EVANS: I do not think it does. No, that is gross earnings. There are other exhibits in the freight rate cases.

THE CHAIRMAN: But for the moment you are talking only of this particular exhibit.

MR. SHEPARD. That is quite all right, Mr. Chairman, I did not mean to interrupt.

HH

MR. EVANS: I am sorry to take up so much time, Mr. Chairman, but I am nearly through.

MR. EVANS: Q. Then on page 28, Mr. Premier, might I ask you with regard to your statement:

"It is our belief that a substantial number of competitive rates, agreed charges and other special rates, have been allowed to continue in effect, notwithstanding the fact that in some cases they were initiated without due regard to all the circumstances and the fact that in other cases the original circumstances such as competition, operating costs, or the needs of national development may now be materially altered."

Have you anything particularly in mind there because if you do, I would be glad to know of it.

A. I am informed by our people who are more familiar with the details than I am that there are such cases, Mr. Evans, and our point is that w e think those should be corrected before areas such as ours which, we think, are providing satisfactory revenue for the service performed, should be raised.

Q. I wondered if you had anything in mind particularly.

A. We mentioned one particularly here, and a little later on.

Q. But in regard to that paragraph, you have not any specific ones in mind?

A. I think we mentioned a specific one, did we not?

Q. I would be glad if you would tell me what it is.

A. You would have to get the details of any of these technical matters from our technical staff, Mr. Evans.

HH

Q. There is a statement on page 29 which I thought you might like to clear up:

"We strongly object to the practice which has been followed by the railways in their arbitrary handling of rates such as those on farm machinery, seed grain, and pure-bred livestock, in which rates were raised without public hearing and without opportunity for those who would be called upon to pay the higher rates to state their point of view to a public body."

I would like to take you through those three rates just briefly, and I suggest to you that with regard to the point about machinery rates, that not only were those concerned given notice of the intention of the railways, but that the Board, upon representations of the parties, actually suspended the increase.

THE CHAIRMAN: Actually suspended what?

MR. EVANS: Actually suspended the increase, Mr. Chairman.

MR. EVANS: Q. Are you aware of that, Mr. Premier?

A. I think that is probably correct, but the fact is that these notices that you speak of are sent out to people in the ordinary course of events, people who are not familiar with freight tariffs and that sort of thing.

Such notices are very apt to escape their attention, or, if they do not escape their attention it is difficult for the average man - and I am sure all lay people will agree with this - to read tariffs, and they are not aware of the implications of such notices.

If some public body, or somebody, had not intervened then those particular rates as I understand it, would have gone into effect.

HH

THE CHAIRMAN: You say that certain rates or the increase of certain rates had been suspended. Are you referring to farm machinery?

MR. EVANS: I am speaking of farm machinery, Mr. Chairman. I shall deal with the others later. It is in regard to these three things that it is alleged that the rates were raised without public hearings or an opportunity to be heard. And I am suggesting that in fact notice was given.

MR. EVANS: Q. I am informed, Mr. Premier, that in the case of farm machinery, copies of the new tariff supplement were sent to a lot of the traffic people in industry and to the Manufacturers Association a month before it was to come into effect.

A. I think that is probably the general practice, but, as I mentioned before, the general public are so little acquainted with these tariff forms that they do not appreciate the implications; they are not familiar with the schedules. Quite frankly, I think they are a little too difficult for mose people to be able to figure them out. And our point is that instead of the railways having the opportunity - and arbitrarily is the word we use - to raise themin that manner by default, as it were, because interested people do not recognize the effect of them, instead of that being done we suggest that they should have to secure the approval of a public body before that is done.

Q. Yes. But what I am really speaking to is: That you are suggesting that this was arbitrary, and was without public hearing and without an opportunity for those who would be called upon to pay the higher rates to state their point of view.

HH

I suggest to you that that is not true, and that the people who were best able to understand the rates were the traffic people and industry.

A. Yes, but the ones upon whom the burden of the cost of the farm machinery must fall are not industry that manufactures that machinery. The industry just adds it on. Industry is not as interested as the farmer who has to pay it. The farmer pays it yet the farmer does not get an opportunity to protest in time about a thing like that. because he is not familiar with it and he never sees these notices you speak of.

Q. Is there not a co-operative machinery company here in Manitoba?

A. That is right.

Q. They are very directly interested, are they not?

A. As a matter of fact, I am not sure of the facts in this connection. I think perhaps they were the ones who took the action you mentioned.

THE CHAIRMAN: We shall adjourn now, Mr. Evans, until 2.30.

. . . At one o'clock the Commission adjourned.

Winnipeg, Manitoba,
June 1, 1949

AFTERNOON SESSION

---On resuming at 2.45 p.m.:

HON. DOUGLAS L. CAMPBELL, recalled.

Examination continued by Mr. Evans:

Q At the adjournment, Mr. Premier, I was talking about the portion of the brief at page 29 where the suggestion was made about arbitrary handling of increases in rates on farm machinery, seed grain and pure bred livestock, and I had discussed with you for a moment the notice given in respect of the increase on farm machinery. I should like to ask you a few questions about the other two commodities, seed grain and pure bred livestock. I suggest to you that in the case of livestock the Canadian Freight Association advised approximately thirty-five breeders' associations, as well as boards of trade and other people, on March 23, 1949, of the intention to let the livestock rates, the depressed rates, expire on May 15, 1949. Have you heard of that

A. Yes, I think perhaps I had heard of that, Mr. Evans, but I am not as familiar with it as with the other matter. There again, it is one of those things where it is very difficult for the people on whom the increased rates actually fall to be familiar with the situation, or, even if they are, to make any effective appeal against it.

Q. You would not think that the breeders' associations would be unable to appreciate the effect of a notice of that kind, would you

A. No, not the breeders' associations themselves, but it is questionable -- they would certainly be aware of the implications of higher rates on pure bred livestock being shipped, but it is questionable whether they would be sufficiently familiar with the tariff itself to just grasp the full implications of the change that was being made.

Q. My suggestion to you, Mr. Premier, would be that they would be pretty well aware of any effect of such a tariff if they were notified that an existing depressed tariff was to be cancelled, wouldn't they?

A. I hope they are, I hope they are; even if they are, I doubt if there is anything effective that they can say to prevent it. As a matter of fact, I am not too familiar with this, but I am of the opinion that if you send out your notices to that effect, then you just go ahead and put in the new rate without their being able to prevent the old one running on.

Q. Are you not aware of the provisions by which anyone may write to the Board and complain about such action?

A. Yes.

Q. So it would hardly be fair, I think, to say that there is no opportunity to be heard in a case of that kind?

A. Well, it is fair, to the extent that if they

are not well enough acquainted with the situation to take advantage of that opportunity, and do not in fact take advantage of the opportunity, that is the fact.

Q. If the breeders' associations in the case of livestock are not aware of it, it is hardly likely anyone else would be, is it -- of the implications?

A. Even they are not the people who actually ship the livestock.

Q. Well, is it not so that the very thing of which you speak is the function of the Board of Transport Commissioners, to hear complaints from anybody who really may not have a complaint but who may feel that they want the thing looked at and considered?

A. Probably one of their functions, but the point is, I think, that they have not been doing it of their own accord, and we complain about the type of notice that is given, because it consists of sending out these very intricate tariff schedules or whatever they are, and then unless the people take some action the change just goes through as a matter of course. Now, our point is that that procedure should be changed, and legislation should be set up to require the railway companies to obtain the endorsement of the Board before they make the changes, and the Board in turn give an opportunity to the people affected to make representations.

Q. Well, really what I am concerning myself with at the moment is that the statement rather, I suggest, leaves an inference that somebody is being deprived of a right to be heard, and I did not want that inference

to be left. Perhaps you would like to qualify that now?

A. No, I think I would like to endorse it, because actually, as I remember, in the case of farm machinery -- I am not as familiar with the other two -- my remembrance is that the railways just sent out -- I don't know to whom, but sent out to somebody with whom they had been dealing tariff schedules or something of that description, with the indication that these rates were going to be raised, and that that was done arbitrarily, and if it had not just happened in that case that there was a group that caught onto the implication and protested against it, those rates would have gone in without the people most affected having any opportunity to protest against it.

Q. Well, after they go into effect it is not too late, is it?

A. After they go into effect?

Q. Yes.

THE CHAIRMAN: What is your question?

MR. EVANS: Q. After the rates go into effect it is not too late to make a protest, is it, Mr. Premier?

A. I am not familiar with the procedure all the way through, but I would think that, the end having been accomplished, it would prejudice their case to some extent.

THE CHAIRMAN: Mr. Evans, would you mind telling me what notice is given of an intention to increase rates?

MR. EVANS: Well, it varies, but in the case I mentioned, in the case of farm machinery, my instructions are that copies of the tariff were sent a month in advance of its effective date to the traffic managers

of various industries and also to manufacturers' associations. There is a group of individuals who received notices of such cases, and they are widespread throughout the country.

THE CHAIRMAN: Well, is that by an order of the Transport Board that these things are done

MR. EVANS: Well, whether it is an order or regulation of the Board, I do know this, that there has to be thirty days' notice given by the filing and publishing of the tariff, and it cannot become effective --

THE CHAIRMAN: Filing with the Board, do you mean?

MR. EVANS: Yes.

THE CHAIRMAN: Then is any notice given, for instance, in the press

MR. EVANS: Not to my knowledge, but copies of the tariff are usually sent to interested organizations, groups, boards of trade, manufacturers' associations, members of the industries, and traffic managers of the industries involved; and that was done, as I am instructed, in the farm machinery case. But in the seed grain case, I have here a letter which my instructions indicate was sent not only to the usual group of individuals,but sent to the Deputy Minister of Agriculture for Manitoba, boards of trade, and some thirty-five breeders' associations and others.

Q. I was going to put this as my next question, whether you, sir, were aware of this letter having been sent and a copy of that having gone to the Deputy Minister of Agriculture?

A. Well, I know that those notices are sent in that way, but the point is that it is a schedule of the tariff, you see, and to us laymen it is a very involved document.

Q. May I read you a paragraph of the letter, and then perhaps we can see how involved it is?

A. I did not mean the letter.

Q. All we are concerned with is, do the proper people receive notice, effective notice, of what is going to take place?

THE CHAIRMAN: Would you tell me right now, then, what are they entitled to do upon receiving notice?

MR. EVANS: They then can complain to the Board or complain to the railways and have their representations discussed before the Freight Traffic Association of the railways, or,if they cannot get relief there, before the Board, and I know ---

THE CHAIRMAN: Then there would be a public hearing in that case.

MR. EVANS: Then there would be a public hearing if they wanted one. The Board then calls on the railways to explain what the position is.

THE CHAIRMAN: In the meantime is the increase effective or is it in abeyance?

MR. EVANS: Well, in some cases, if the complaint can be dealt with before the tariff becomes effective, it can be disposed of in advance; in other cases the Board suspends the tariff pending a hearing. That has been done; that was done, in fact, in the farm machinery case. In other cases the rate goes into effect, and maybe the

complaint comes along at a later date, the Board sets it down for hearing, and in some cases upholds the complaint and orders a withdrawal of the tariff. But, as I am suggesting to the Premier, there is ample opportunity to be heard, and my feeling was that perhaps it was a little unfair to suggest that somebody had been deprived of an opportunity.

THE WITNESS: They are simply deprived of the opportunity by default -- we will admit that, Mr. Evans -- but there is the fact that the layman is not familiar with these tariff schedules, and they are all that he sees in that connection, just the changes being made in this tariff. It is not the effective procedure that we would suggest for a thing as important as this, because the farmer back on the land is the man who pays for it, and he gets no opportunity to make a protest. We would like to see the procedure changed so that any increase in rates could only be put into effect after authority had been obtained from this Board, and the Board in turn institute the procedure that it would have a public hearing of those who are interested.

MR. EVANS: Q. Now may I return to the point, as to whether the people who are notified have brought to their attention clearly what is being done. You speak of the involved tariff. Now, I should like to read this letter to you and then ask you to say fairly whether you think that that criticism could be made in respect of this letter. This is a letter which was written by the Canadian Freight Association, dated March 23, 1949, and it deals with the livestock rates:

"The tariffs issued by individual carriers, also Canadian Freight Association (Western Lines) Tariff No. 183-C, make special provision for reduced rates and regulations with respect to the movement of Pedigreed Live Stock for Breeding Purposes between points in Canada.

"Canadian carriers have found it necessary to examine all rates of a subnormal nature with a view of improving their revenue position, and review of the revenue derived on this traffic has shown that the reduced basis is not compensatory for the service involved.

"The subject has been given very careful study, and would advise that the provision of the reduced rates and special arrangements will be cancelled, effective May 15th, 1949, allowing rates and regulations as published and applicable on the movement of ordinary Live Stock to apply.

"This advice is furnished for your information, and in your review of the subject, I trust you will appreciate the position the carriers have taken in the matter."

Now, would it not be fair if I suggested to you that that letter leaves no doubt in anybody's mind what the implications of the proposed action would be?

A. I think that letter to the people it reaches is a clear indication of what is to be done. I don't know whether I should suggest to you, Mr. Evans, that probably that procedure has been adopted since we have

been protesting so definitely against the other procedure; has it?

Q. Well, I don't know.

A. I don't know either; I am just wondering.

(Page 120 follows)

Q. I think it most unlikely.

A. I would think it very probable.

Q. I would be pleased to be furnished with proof of that.

A. I would be very glad if you could disprove it.

Q. My information from my people is, I may say, that is quite a usual procedure.

A. I would say from my memory of the change on farm machinery that no letters as definite as that came out, at least not one that I got.

COMMISSIONER INNIS: Is it true that notice is given through advertisement in the newspapers?

MR. EVANS: Not to my knowledge.

COMMISSIONER INNIS: It is merely sent out to representative groups?

MR. EVANS: Representative groups of shippers.

Q. Perhaps I should also point out to you, Mr. Premier, that with regard to the seed grain so far as I know that practice was not followed, but I suggest to you that among others Mr. Moffatt and Mr. Stimson of your staff were aware of the intention not to review the seed grain rates some months before the movement of seed grain normally took place?

A. That is right. That is one of the advantages - it is good that there are some - of these freight rate hearings that have been going on. We have all been made a little more aware of the procedure. In the old days even governmental departments as competent as those are - they have not maintained traffic experts as a rule - were not very familiar with this procedure.

Q. It just so happens that in the three cases you mentioned there seems to have been considerable advance notice given, and I am wondering whether you would like to qualify your suggestion that the handling of these cases was arbitrary, and without an opportunity for those who might be interested?

A. I think the procedure adopted in the first case had all the qualifications of arbitrariness. They were just going to put it in.

THE CHAIRMAN: Q. Had all the qualifications of what?

A. Arbitrariness; they were arbitrary.

MR. EVANS: Thank you.

THE CHAIRMAN: Does anyone else wish to ask questions?

MR. MCDONNELL: I might say, Mr. Chairman, and members of the Commission, that I had considered the possibility of asking the Premier some questions, but as he very frankly stated at the outset of his statement, and as counsel for the Province of Manitoba has said, the intention is that experts who can substantiate the statements in so far as they are able so to do, are to be called. In the circumstances, the Premier having very frankly said that he is not an expert in such matters, I think I will defer any questions which I might otherwise have addressed to him until the experts come forward at a later date. I would, however, say at this point, Mr. Chairman and members of the Commission, that there are some statements in the brief with which the Canadian National Railways possibly will not quarrel at all. We may be in agreement. There

are possibly others with respect to which we are indifferent. It might be that the matter might be handled one way or another. There are other statements upon which it may be necessary to take a position and to challenge them in so far as possible. I will defer all that until the experts of the province of Manitoba, who will be produced in due course, come forward.

THE WITNESS: I am sure you will find our technical men much more useful to you than I am because they are quite familiar with the details, and I am not.

THE CHAIRMAN: Mr. Covert, do you wish to ask any questions?

MR. COVERT: Mr. Chairman and Commissioners, I have felt from the beginning that this presentation was more or less in the nature of an opening address to the jury indicating what he was going to prove, and that that was to be done by experts. Consequently I would also reserve any questions until we have a chance to examine the experts.

On behalf of the Commission, I think it might be advisable to suggest at this time that we would like to receive suggestions. For example, statements are made that certain things should be done, and I think that the Commission would appreciate it very much if the government of Manitoba, in presenting their case, would make suggestions. If they think that changes should be made, I think it would be very helpful to the Commission if they would offer suggestions. There are such things as cases of lack of notice. We would like examples of that, and suggestions as to what should be done to remedy the situation which

exists now. That is all I have to say, unless there are some specific matters the Commissioners wish me to deal with.

THE CHAIRMAN: Are we to hear any more from the Province of Manitoba or is somebody else coming forward?

MR. SHEPARD: That is all from the Province of Manitoba.

THE CHAIRMAN: Thank you, Premier Campbell.

MR. COVERT: I believe the next submission is that of the Winnipeg Chamber of Commerce. I understand that Mr. Fillmore is presenting the case.

W. P. FILLMORE, K. C., Called

THE WITNESS: Mr. Chairman and gentlemen: I appear on behalf of the city of Winnipeg as well as the Winnipeg Chamber of Commerce. It is not necessary for me on their behalf to extend any words of welcome. If you are not convinced now I probably could not convince you.

The Winnipeg Chamber of Commerce and the City of Winnipeg have always appeared at freight rate enquiries and taken an active interest in the enquiries held by the Board of Transport Commissioners. As Winnipeg is not situate on any navigable water, its natural products go east by rail, or to the head of the lakes, for consumption in Canada or export, and manufactured products which are used or consumed in Manitoba come from the east mainly by rail, some by lake and rail.

Freight rates, therefore, are a matter of great importance to the producers and consumers in Manitoba. They are

a matter of particular importance to manufacturers and distributors who are located in Winnipeg and district or other points in Manitoba. This brief is presented mainly on behalf of distributors and manufacturers carrying on business in Winnipeg and district.

It is submitted that Winnipeg should have any advantage which accrues to it by virtue of its geographical location and it should not be penalized by freight rate concessions being made to distributors or industries in the central provinces.

TRANSCONTINENTAL RATES

The freight rates on many articles are about the same or not much greater from the central provinces to the west coast than they are to Winnipeg. There is a schedule attached but I will not bother to read it.

In the past it has been contended that these rates are justified in order to meet traffic coming through the Panama Canal which originates on the east coast of Canada, or the United States, or in Europe. We submit, however, that this subject should be investigated from two points of view: first, in order to ascertain to what extent and on what articles the competition actually exists; and, secondly, from the point of view of considering whether even if the competition does exist, railroads should be permitted to carry goods at less than the cost of service.

PRAIRIE COSTS LOW

The position taken by Manitoba and by the City of Winnipeg and the Winnipeg Chamber of Commerce in previous appearances before the Board of Transport Commissioners is that the Prairie Provinces by virtue of their topography and

the nature of the traffic, low operating costs and low capital cost of construction, should enjoy freight rates which are related to these factors.

In support of this position in the case known as the 21 per cent case before the Board of Transport Commissioners, the Canadian Pacific Railway at the request of the Provinces, filed Exhibit No. 131..

I should add there a reference to Exhibit 340. That is a restatement of Exhibit 131. It was prepared by the accountant for Manitoba and filed as Exhibit 340. I think that Exhibit 340, together with the other exhibit, indicates that over the period ending in 1946, the Canadian Pacific Railway secured a net mark-up over cost of operating of roughly 25 cents for every dollar expended west of Fort William, whereas east of Fort William it secured only 12½ cents.

Since competitive forms of transportation in eastern Canada have become less severe owing to increases in their rates - we refer there, of course, to truck rates being increased - the railway of their own volition have raised their competitive rates 15 per cent, in addition to the overall increase of 21 per cent, so that competitive rates in eastern Canada are now some 40 per cent over those of 1946. Thus, Exhibit 94, in the mountain differential case showed that for every dollar spent in the year ended October 31, 1948, the Canadian Pacific Railway had a mark-up in eastern Canada of 8 cents, in the Prairies of 9.5 cents, and in British Columbia of 5.6 cents.

Large amounts of public money have been spent in the past by the Dominion Government on canals, and the

maintaining of same, which has reacted to the substantial benefit of the shippers in eastern Canada, not only in lower rates by traffic using these canals, but in the compelling of lower rates by rail to meet this competition. This, it is contended, is an advantage enjoyed by eastern shippers and the public generally at the expense of the Prairie Provinces.

LONG HAUL RATES FROM EAST TO WEST

As between Winnipeg and other distributing points in Western Canada, we would like to point out that although Winnipeg distributors enjoy the benefit of the so-called assumed mileage between Fort William and Winnipeg to a slightly greater extent than points west, on the other hand when the tapering of rates is taken into account, it will be seen that the rate per ton mile between Winnipeg and Fort William is higher than the rate between Fort William and points in Alberta. The rail rates from the central provinces to Winnipeg are not out of line with the rates from the central provinces to Edmonton on a ton mile basis.

In this connection it is not out of place to point out that the territory between Sudbury and Fort William commonly known as the "bridge" between eastern and western Canada, operates at a low cost by virtue of the volume of east-west traffic, but on the other hand produces very little originating freight. In the economic systems of both railways this territory is included in the eastern division. The constructive mileage between Winnipeg and Fort William is in effect a recognition of the fact that much of the traffic between eastern Canada and Winnipeg

moves over this low cost "bridge" territory. On the subject of this constructive or assumed mileage between Winnipeg and Fort William, I should like to direct the attention of the Board to the brief I read on behalf of the city of Winnipeg and the Winnipeg Chamber of Commerce in the 21 per cent case. The brief is dated the 2nd July, 1947. At page 4 and following we go into the history of the Fort William assumed mileage and set out at some length our reasons for suggesting that it should be retained.

THE CHAIRMAN: What date?

THE WITNESS: The brief is dated the 2nd July, 1947, and was filed in the first case. I have not the exhibit number, but they have copies there, and we have further copies.

WAGES

It is further submitted that some consideration should be given by the Commission to wages paid to railway employees. They enjoy the best rates of pay of any comparable classification of labour in Canada. This differential has always existed but has been materially increased by the recent 17 cents per hour wage award given to all employees of the railways, unionized and non-unionized. By virtue of this award every employee on a monthly basis, was raised $35 per month, and others in proportion. This 17 cents per hour increase cost the Canadian Pacific Railway Company $22,500,000 from March 1, 1948 to December 31, 1948, and the Canadian National Railways $33,000,000 for the same period. The pending application of the railways for a further increase in freight rates is based mainly on increased cost of labour.

Attached hereto is a schedule showing wages paid by the Canadian National Railways in the year 1948, and also a schedule showing wages paid in industries across Canada, according to the latest figures published in the Labour Gazette, vol. 49, No. 3, March, 1949. The railway wages are substantially higher and demands are now being made for further increases. If it is true, as the railways claim, that they are not operating at a profit, you can see that this is a very serious situation. I will not read the exhibits but they indicate that the average weekly wage of the nine leading industries was $42.08. As that includes steam railways it is a little higher than it would be without it. On the other hand the average weekly wage of those employed by the steam railways is $58.17. You can see that it is substantially higher.

DISTRIBUTING RATES

We suggest that the Commission should also consider equalization of distributing rates as between eastern Canada and western Canada. In eastern Canada these rates apply both ways, i.e., to and from urban centres, whereas in the west they apply only from urban centres.

HUDSON'S BAY RAILWAY

Some consideration should be given to the elimination of factors which decrease the potential use of this railway.

It is submitted that it is a matter of great importance to the economy of Canada that all industries should not be concentrated in the central provinces. This situation has come about to some extent by virtue of the low transcontinental rates which make it possible for

industries in eastern Canada to compete on even terms so far as freight rates are concerned with industries in Manitoba.

In order that this objective may meet with more success than it has in the past, it is our submission that more commodity rates should be established from Churchill, Manitoba, to Winnipeg, on the same or a lower basis to those in effect from Montreal. This seems to us to be reasonable in every way in view of the fact that the mileage from Churchill, Manitoba, to Winnipeg is considerably less than from Montreal to Winnipeg.

Page 133 follows

An effort should also be made to have the insurance rates on ocean traffic reduced.

SIMPLIFICATION OF FREIGHT RATE STRUCTURE

It is also suggested that the Board of Transport Commissioners should have greater jurisdiction over competitive rates and agreed charges. While these rates and charges are filed with the Board of Transport Commissioners, they do not readily come to the attention of all shippers.

We believe that the Commission should institute studies in connection with what is known as agreed charges in an effort to determine if these are considered equitable. These agreed charges are rates lower than normal in return for some large shippers guaranteeing to forward a specified percentage of their tonnage by rail and on account of the volume offered. This may work to the disadvantage of smaller businesses, and hence concentrate control of industry in the larger centres, particularly in the east.

In this connection, we think it is also desirable that there should be some simplification of the freight rate structure either by revision of the classifications or otherwise. At the present time, the tariffs are so complicated that every distributor or manufacturer needs an expert to advise on the rates pertaining to his own line of goods. This is an item of expense which small distributors and industries are unable to afford. It is now costly and difficult to check freight rates on account of the number and complexity of the tariffs.

We assume also that the Commission will be able to

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suggest means by which greater co-operation between railways can be obtained. While this is provided for by statute, it has not been worked out in practice. Perhaps I should not say that nothing has been done. Since this was drafted, I read the Canadian Pacific brief and they point out instances in which there has been co-operation.

GRAIN RATES

We join with the province of Manitoba in their stand that the statutory rates on grain are justifiable and should not be changed.

We desire to reserve the right to make further representations later on. Thank you.

THE CHAIRMAN: Mr. Fillmore, you are acting as Counsel for these two bodies.

MR. FILLMORE: Yes, Mr. Chairman.

THE CHAIRMAN: Do you intend to call any experts?

MR. FILLMORE: No, unless questions are asked which I cannot answer as regards some of these matters. I do not think there is much dispute about the figures that I quoted, but I would be pleased to answer any questions. Some of the committee of the Winnipeg Chamber of Commerce, which went over this brief with me and approved it, are here; and if necessary, I shall call on them.

THE CHAIRMAN: Does anybody wish to question Mr. Fillmore?

MR. O'DONNELL: I might ask just a few questions, Mr. Chairman.

CROSS EXAMINATION BY MR. O'DONNELL:

MR. O'DONNELL: Q. With respect to page 1, Mr. Fillmore, of your brief, it is to your knowledge, I think, that the Trans-Continental rates have, in fact, been

(Attached schedule to Mr. Fillmore's brief)

May 11, 1949

RATE COMPARISONS (ALL RAIL)
EASTERN CANADA TO VANCOUVER vs. EASTERN CANADA TO WINNIPEG

	Rates in cents per 100 lbs.
1. Canned Goods	
From groups A & B to Vancouver	
C.L. Min. Wt. 60,000 lbs. C.F.A.tariff	
1 H. Supp. 80, Item 370 F	$ 1.33
From Groups A & B to Winnipeg	
C.L.Min. Wt. 24,000 lbs. 5th Class	1.38
2. Drugs, Medicines & Chemicals	
From Groups A & B to Vancouver	
C.L. Min. Wt. 30,000 lbs. C.F.A. Tariff	
1 H Supp. 80, Item 690 H	2.37
From Groups A & B to Winnipeg	
C.L.Min.Wt. 24,000 lbs. 3rd class	2.15
3. Pickles and Vinegar	
From Groups A & B to Vancouver	
C.L.Min. Wt. 60,000 lbs. C.F.A. Tariff	
1 H Supp. 80, Item 370 F	1.33
From Groups A & B to Winnipeg	
C.L.Min.Wt. 24,000 lbs. 5th class	1.38
4. Milk, Malted	
From Groups A & B to Vancouver	
C.L. Min.Wt. 60,000 lbs. C.F.A.Tariff	
1 H Supp 83 Item 4020 B	2.09
From Groups A & B to Winnipeg	
C.L. Min. Wt. 24,000 lbs. 4th class	1.67
5. Hardware & Tools	
From Groups A & B to Vancouver	
C.L. Min. Wt. 36,000 lbs. C.F.A.Tariff	
1 H Supp. 80 Item 1230 -C, 1240 D 1250 C	2.58
From Groups A & B to Winnipeg	
C.L. Min.Wt. 30,000 lbs. 5th class	1.38
6. Soap	
From Groups A & B to Vancouver	
C.L. Min 60,000 lbs. C.F.A.Tariff	
IH Supp 78 Item 2300 B , [illegible]	1.74
From Groups A & B to Winnipeg	
C.L. Min. [illegible] 24,000 lbs. 5th class	1.38
7. Barbed Wire	
From Groups A & B to Vancouver	
C.L. Min.30,000 lbs. C.F.A.Tariff	
1 H Supp. 80, Item 2960B	1.74
From Groups A & B to Winnipeg	
C.L. Min. 36,000 lbs. 5th Class	1.38

8. Roofing and Roofing Material, Prepared
From Groups A & B to Vancouver
C.L.Min. 40,000 lbs. C.F.A. Tariff
1 H Item 2040 — 1.74
From Groups A & B to Winnipeg
C.L.Min. 30,000 lbs. 5th class — 1.38

9. Baking Powder
From Groups A & B to Vancouver
C.L.Min. 40,000 lbs. C.F.A. Tariff
1 HSupp 80 Item 140 F — 2.37
From Groups A & B to Winnipeg
C.L. Min. 24,000 lbs. 4th Class — 1.67

10. Iron and Steel Welding Bars or Rods
From Toronto to Vancouver
C.L.Min. . 50,000 lbs. C.F.A. Tariff
1 H Item 1495 — 1.39
From Toronto to Winnipeg
Item 1430 C.F.A.Tariff 5H (5th Class C.L.) — 1.38

11. Stoves and Stove Parts
From Groups A & B to Vancouver
C.L.Min. Wt. 30,000 lbs. C.F.A. Tariff
1 H Supp 80 Item 2440E — 2.74
From Groups A & B to Winnipeg
C.L.Min. Wt. 24,000 lbs. 5th Class — 1.38

12. Refrigerators
From Groups A & B to Vancouver
C.L.Min. Wt. 20,000 lbs. C.F.A. Tariff
1 H Supp 80 Item 2010 C — 2.56
From Groups A & B to W innipeg
C.L. Min. Wt. 24,000 lbs. 5th Class — 1.38

CANADIAN NATIONAL RAILWAYS - CANADIAN LINES
ILLUSTRATIONS OF INCREASES IN RATES OF PAY 1948 OVER 1939
CERTAIN CLASSES OF EMPLOYEES

Exhibit 49/117
20% case
Filed Feb. 1949

Classes of Employees	Unit	Rate 1939	1946	1948
Sectionman - Line	Hr.	$ .43	$ .69	$ .86
Sectionman - Yard	"	.45	.74	.91
B & B Carpenter	"	.65	.91	1.08
Car Inspector	"	.72	.98	1.15
Carman Helper	"	.56	.82	.99
Machinist's Helper	"	.56	.82	.99
Machinist's Helper	"	.58	.84	1.01
Coach Carpenter	"	.79	1.05	1.22
Freight Carman	"	.72	.98	1.15
Machinist	"	.79	1.05	1.22
Boilermaker	"	.79	1.05	1.22
Classified Laborer	"	.46	.72	.89
Common Laborer	"	.42	..68	.85
Agent	Month	144.00	197.21	230.00
"	"	170.00	223.21	256.00
"	"	175.00	228.21	261.00
Operator	"	133.00	186.21	219.00
"	"	145.00	198.21	231.00
"	"	135.00	188.21	221.00
Comptometer Operator	"	105.00	158.21	193.57
Typist	"	100.00	153.21	188.57
Stenographer	"	105.00	158.21	193.57
Clerk-Typist	"	110.00	163.21	198.57
Clerk-Stenographer	"	115.00	168.21	203.57
Clerk	"	190.00	243.21	278.57
Clerk	"	55.00	108.21	133.21
Loco Engineer-Pass.	100 miles	6.40	8.17	9.35
-Frt	"	7.56	9.42	10.73
Loco Fireman-Pass.	"	4.96	6.73	8.09
Frt	"	5.72	7.58	8.94
Conductor -Pass.	150 miles	6.70	8.64	10.00
-Frt	100 miles	6.16	8.05	9.41
Brakeman -Pass.	150 miles	4.70	6.64	8.00
-Frt	100 miles	4.84	6.73	8.09
Yard Foreman	Day	6.64	8.79	10.51
Yard Helper	"	6.16	8.30	9.66

(Table continued from previous page)

	Increase			
	1946 over 1939		1948 over 1939	
	Amount	%	Amount	%
Sectionman - Line	.26	60.5	.43	100.0
Sectionman - Yard	.29	64.4	.46	102.2
B & B Carpenter	.26	40.0	.43	66.2
Car Inspector	.26	36.1	.43	59.7
Carman Helper	.26	46.4	.43	76.8
Machinist's Helper	.26	46.4	.43	76.8
Machinist's Helper	.26	44.8	.43	74.1
Coach Carpenter	.26	32.9	.43	54.4
Freight Carman	.26	36.1	.43	59.7
Machinist	.26	32.9	.43	54.4
Boilermaker	.26	32.9	.43	54.4
Classified Laborerq	.26	56.5	.43	93.5
Common Laborer	.26	61.9	.43	102.4
Agent	53.21	37.0	86.00	59.7
"	53.21	31.3	86.00	50.6
"	53.21	30.4	86.00	49.1
Operator	53.21	40.0	86.00	64.7
"	53.21	36.7	86.00	59.3
"	53.21	39.4	86.00	63.7
Comptometer Operator	53.21	50.7	88.57	84.4
Typist	53.21	53.2	88.57	88.6
Stenographer	53.21	50.7	88.57	84.4
Clerk-Typist	53.21	48.4	88.57	80.5
Clerk-Stenographer	53.21	46.3	88.57	77.0
Clerk	53.21	28.0	88.57	46.6
Clerk	53.21	96.7	78.21	142.2
Loco Engineer-				
Passenger	1.77	27.7	2.95	46.1
Freight	1.86	24.6	3.17	41.9
Loco Fireman				
Passenger	1.77	35.7	3.13	63.1
Freight	1.86	32.5	3.22	56.3
Conductor				
Passenger	1.94	29.0	3.30	49.3
Freight	1.80	30.7	3.25	52.8
Brakeman - Pass.	1.94	41.3	3.30	70.2
Frt	1.89	39.0	3.25	67.1
Yard Foreman	2.15	32.4	3.87	58.3
Yard Helper	2.14	34.7	3.50	56.8

AVERAGE WEEKLY SALARIES AND WAGES AS AT DEC.1,1948

MANUFACTURING	43.70
Animal products - edible	42.00
Fur and products	41.83
Leather & Products	32.48
Boots & Shoes	31.23
Lumber & its products	38.98
Rough & dressed lumber	40.34
Furniture	38.17
Other lumber products	35.89
Plant products - edible	35.94
Pulp and paper products	48.85
Pulp and paper	56.92
Paper products	38.91
Printing & Phblishing	44.43
Rubber products	45.48
Textile products	33.90
Thread, yarn and cloth	36.68
Cotton yarn and cloth	35.73
Woollen yarn and cloth	35.65
Artificial silk & silk goods	38.36
Hosiery & knit goods	31.08
Garments & personal furnishings	31.71
Other textile products	36.16
Tobacco	38.68
Beverages	46.30
Chemicals * allied producgs	46.32
Clay, glass & stone products	44.75
Electric Light and power	47.78
Electrical apparatus	46.71
Iron & Steel products	48.96
Crude, rolled & forged products	50.91
Machinery (other than vehicles)	46.72
Agricultural implements	49.80
Land vehicles and aircraft	50.80
Automobiles & parts	52.43
Steel shipbuilding & repairing	47.28
Heating appliances	43.79
Iron & Steel fabrication (n.e.s.)	48.26
Foundry & machine shop products	47.95
Other iron & steel products	45.89
Non-ferrous metal products	48.45
Non-metallic mineral products	53.17
Miscellaneous	36.49
LOGGING	37.95
MINING	51.81

MINING (Cont'd)	
Coal	51.71
Metallic Ores	54.17
Non-metallic minerals (except coal)	45.97
COMMUNICATIONS	
Telegraphs	39.01
Telephones	44.76
	37.83
TRANSPORTATION	
Street Rlys, cartage & storage	51.47
Steam railways	44.56
Shipping & stevedbribg	58.17
	45.36
CONSTRUCTION & MAINTENANCE	
Building	40.37
Highway	44.05
Railway	34.65
	42.46
SERVICES (AS INDICATED BELOW)	
Hotels & restaurants	27.28
Personal (chiefly laundries)	25.76
	30.19
TRADE	
Retail	35.18
Wholesale	32.76
	41.59
EIGHT LEADING INDUSTRIES (this includes steam railways)	42.20
FINANCE	
Bank & trust companies	39.16
Brokerage & stock market operations	34.84
Insurance	49.90
	44.38
NINE LEADING INDUSTRIES	42.08

Source -- The Labour Gazette Vol. 49 No. 3 March 1949

increased about 40 per cent recently.

THE CHAIRMAN: You say they have been increased?

MR. O'DONNELL: Yes, Mr. Chairman. There was an objection previously that these rates were too low. That was an objection on the part of the City of Winnipeg and the people Mr. Fillmore represents.

THE WITNESS: I would like to ask the gentleman who prepared the schedule to this brief giving the rate comparisons between Eastern Canada and Vancouver and Eastern Canada to Winnipeg whether this was compiled before or after that 40 per cent increase. Could you tell me that, Mr. Walker?

MR. WALKER: It is under the present rates, Mr. Fillmore.

THE CHAIRMAN: What is the question or point then?

MR.FILLMORE: Mr. O'Donnell pointed out that the transcontinental rates have been increased 40 per cent?

THE CHAIRMAN: Since when?

MR. O'DONNELL: It is 39 per cent, roughly. 21 per cent, under the 21 per cent increase, and then they were raised; these rates were raised approximately a further 15 per cent, and that compounded over 21 made it roughly 39 per cent. I think that is the situation.

MR. FILLMORE: I am instructed that these rate comparisons which appear at the back of my brief are based on present rates.

THE CHAIRMAN: What part of this brief had you in mind?

MR. O'DONNELL: At the bottom of page 1, Mr. Chairman, the transcontinental rates.

THE CHAIRMAN: You say they are about the same or not much greater than from any other province to the west than they are from Winnipeg.

MR. O'DONNELL: It says that in the past it was contended that those rates were adjusted to meet traffic coming through the Panama Canal. I asked Mr. Fillmore if it is to his knowledge that recently they have been increased 39 per cent and that at the present time there are in the hands of the Canadian Manufacturers Association and other bodies copies of the new proposed tariffs covering those transcontinental rates.

MR. FILLMORE: I do not know about that, Mr. O'Donnell.

MR. O'DONNELL: Q. I see.

A. That is something you can demonstrate to the Commission.

Q. At the bottom of the first paragraph.

THE CHAIRMAN: These are rates whichare sometimes called competitive rates.

MR. O'Donnell: To a certain extent these transcontinental rates should be called oompetitive. They were based on the alleged water competition via the Panama Canal.

THE CHAIRMAN: And they have been increased 39 per cent?

MR. O'DONNELL: Roughly, yes, My Lord; and to the extent that the city of Winnipeg and the Chamber of Commerce complained and contended that they were too low during recent years, they have quite recently been adjusted, and are in the course of further consideration

for additional adjustment.

THE CHAIRMAN: What are those comparisons made between Toronto and Winnipeg, and Toronto and Vancouver; do they fall to the ground, then?

MR. FILLMORE: No. Mr. Chairman, this schedule, this comparison of rates, is based on present rates.

THE CHAIRMAN: On the present rates.

MR. O'DONNELL: Q. I am asking you, Mr. Fillmore, if it is not to your knowledge that this further tariff is to come shortly.

A. Sorry, I do not know about it.

Q. I do not intend to take up the time of the Commission to go into these comparisons at this time; but in due course we shall endeavour to put before the Commission whatever evidence we think is called for to apply to that subject.

I notice that the City of Winnipeg indicates that it should have any advantage which accrues to it by virture of its geographic location. That is a principle to which you attach some importance, is it not?

A. Naturally.

THE CHAIRMAN: It is on what page?

MR. O'DONNELL: It is page 1, Mr. Chairman.

MR. O'DONNELL: Q. Would you not agree that in keeping with that principle which you enunciate in that sentence that other parts of the country would adhere equally to the principle and suggest that they likewise should have the benefit of any geographic advantage which is theirs?

A. Certainly.

Q. And in connection with that, the fact that the St. Lawrence river happens to run where it does run is a geographic factor, is it not, for shippers, so the railway rates ought to be affected competitively by water traffic on the river.

A. It is a natural advantage.

Q. Yes; and in keeping with the principle you put forward, would you be willing to concede that those living in the areas through which that river runs might likewise expect to have the benefit of that geographic advantage?

A. Locally.

Q. Yes, locally; and by that you mean what? How extensive is the word "locally" as you use it?

A. I do not see what that would have to do with shipping goods by rail from Montreal to Winnipeg.

Q. Would you not concede that the rate from Montreal to Winnipeg is affected by water competition to the benefit of Winnipeg?

A. Water competition would certainly have a bearing on the rate.

Q. Yes; and in so far as that portion of the trip is affected by water competition in the east, the benefit accrues to the city of Winnipeg on shipments from Montreal to Winnipeg, let us say.

A. Goods which come from the same place to the West cost just as cheaply as they come to Winnipeg.

Q. But on a shipment from the East to the West - I think that is part of the complaint - that Winnipeg does, in fact, benefit to the extent that any portion

of the rate is affected by water competition from the East.

A. I would think so.

COMMISSIONER ANGUS: Q. If Winnipeg and other places were to continue to enjoy the full benefit of their geographic advantages, does it follow that parts of Canada which are at a geographical disadvantage should be left where they are, should have nothing done for them? Our turns of reference ask us to inquire into geographical disadvantages.

A. One great problem is whether those which have geographical disadvantage should bear the full impact of that situation.

Q. Is that the position of the Winnipeg Board of Trade, that they should bear it?

A. Generally speaking, I would say that it is.

THE CHAIRMAN: Q. You would say that any relief that should be afforded to them should not come out of your freight rates?

A. Yes, sir.

MR. O'DONNELL: Q. Now, along the same lines as those which I previously indicated to you, is not the fact that these canals to which you refer on page 3 of your brief, exist, something which accrues to the benefit of the west also, on shipments from the East to the West?

A. I have no personal knowledge; but I understand that there are a number of local canals which affect only local traffic.

Q. Would you indicate any of them; have you the information?

A. I shall consult my confreres and try to get a list of the canals for you.

Q. So that we may know what you have in mind, and so that we may adduce evidence, if need there be, in due course. I would venture to suggest to you that the principal canals to which you refer are all along the main St. Lawrence waterway. Those must be the ones which you have in mind.

A. I do not know anything about canals.

THE CHAIRMAN: What is your point, Mr. O'Donnell?

MR. O'DONNELL: My point is that these Dominion Government canals, to which reference is made in the brief at page 3, must be those canals which are all along the main waterway, along the St. Lawrence.

THE CHAIRMAN: And what follows from that?

MR. O'DONNELL: I am just asking Mr. Fillmore if those are the canals to which he has reference; I want to identify them.

MR. O;DONNELL: Q. My next question is whether or not those canals are of benefit to the west, particularly with respect to grain shipments.

A. I imagine that the Sault, those that affect Great Lakes traffic, would be.

Q. Do you know of any others than those.

A. I am told of others, but I do not know where they are or what they are used for.

Q. But the principal ones, I think we will agree,

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are those in the main waterways.

A. Affecting traffic on the Great Lakes.

THE CHAIRMAN: The statement is here that these canals are an advantage enjoyed by Eastern shippers at the expense of the Prairie Provinces; that is the point.

MR. FILLMORE: I should say, at the expense of Canada. I am instructed that there are local canals constructed at considerable cost which benefit local traffic only.

THE CHAIRMAN: Well, apart from canals that we all know about.

MR. FILLMORE: I do not know if I can substantiate that or not. I shall ask the gentleman who gave me that information.

MR. O'DONNELL: Q. If there are any other canals inthe main St. Lawrence waterway, we can agree that they benefit the West as well as the East. That would seem to be clear. And you will get such information as you can from the man who instructed you with respect to any other canal system, as may be contemplated by this paragraph.

In the brief you make reference to the assumed mileage, the constructive mileage between Winnipeg and Fort William. That is a matter of contract, is it not, under the old Manitoba Agreement?

A. It arose out of an agreement. We give the historical background in the brief to which I refer. We go into it at some length. We say it arose out of a local effort; it arose out of competitive conditions.

Q. On page 10 of the brief of the Province of

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Manitoba, which Premier Campbell read this morning there is the following:

> "In 1901 the so-called Manitoba Agreement was signed between the Canadian Northern Railway and the Province of Manitoba under which the Manitoba government took the authority to set freight rates in Manitoba and between Manitoba and the head of Lake Superior, in return for guaranteeing certain bonds of the Canadian Northern Railway."

That was a matter of contract.

A. That is set out in more detail at page 5 of our brief of July, 1947.

Q. But in so far as reference is made to it in the Provincial government's brief to which I have just referred, you do not quarrel with the statement as they set it out.

A. No.

Q. That is correct.

A. I think that the courts later held that the province and the transcontinental railway could not enter into a binding agreement which would fix freight rates; and that the rates were always subject to the jurisdiction of the Board of Transport Commissioners.

Q. But it is in virtue of that particular agreement, the Manitoba Agreement, that the assumed 130 miles has benefitted traffic to the city of Winnipeg since 1901.

A. That is the origin of it.

Q. Yes. Now, at page 3 of the brief reference is

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made that the rate per ton mile between Winnipeg and Fort William is higher than the rate between Fort William and points in Alberta. Isn't that exactly the way it should be, when you take into consideration the tapering principle which applies.

THE CHAIRMAN: What principle?

MR. O'DONNELL: The tapering principle.

THE WITNESS: We are not complaining about the tapering. We are defending the assumed mileage to Fort William, and we point out that on this mileage basis the rate from Fort William to Calgary is lower than the rate from Fort William to Winnipeg. We point out that those points get the benefit of tapering of rates on a more or less arbitrary basis; the longer the haul, the greater the tapering in the rates.

MR. O'DONNELL: Q. Yes. The rate on the longer haul would naturally be lower.

A. If that is the way rates are made, but I do not know.

Q. And in fact, it is Winnipeg that gets the greatest benefit from that assumed mileage.

A. In proportion the whole of Western Canada gets benefit.

Q. Yes, but Winnipeg gets the greatest benefit because the tapering there is least. At page 4, under the heading of wages, there is a statement under the heading of wages. You set out there certain factual matter, certain wage increases; and I think we referred to the schedule for some comparisons between wages of

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railway employees and those in other occupations in Canada. Just what suggestion, if any, would the city of Winnipeg and the Chamber of Commerce, make as to what should be done with respect to that situation?

A. I could give you my views, Mr. O'Donnell. I am informed, for example, that the - perhaps I had better state the problem as I see it. I am informed that so far as the Canadian Pacific is concerned, 55 per cent of working expenses represents wages.

THE CHAIRMAN: Q. What percentage?

A. Fifty five per cent; and that 51 per cent of gross earnings go to pay wages. We know that an increase of 17 cents an hour costs the Canadian Pacific $22 million for eight months. Well, if as claimed by the Canadian Pacific, they are not making money or losing money, we can see that if there is a substantial increase in wages, then they are in a very awkward situation, and I do not know what they could do about it except to offer up prayer.

MR. O'DONNELL: Q. I wondered if you had any other solution than that; and if so I am sure the Canadian Pacific would be glad to know about it. I am sure the Canadian National would. But is there anything that the city of Winnipeg or the Chamber of Commerce could suggest by way of remedying that, or what particular form of prayer, as my learned friend Mr. Friel, suggests?

A. We might try something else if that should fail. There is that situation. There is a demand

pending now, and there will be a Board of Conciliation. If the Board makes an award and says that there should be a substantial increase, then, of course, the railways are in a very awkward situation. They will, naturally, make an application to the Board of Transport Commissioners and say: We have got to have more money; we have got to have an increase in wages. That puts the Board of Transport Commissioners on the spot. The Railways have to operate, so it is difficult for them to refuse an increase. They pass it on to the shipper to pay and the shipper to the consumer, so that in the end the consumer pays the freight. You say: Suggest a remedy. Well, it is really a national labour relations problem. You are in a very awkward situation. So, if the unions do not accept an award, or say it is not large enough and they want more or else they will tie up everything, it is a very unfortunate situation. It is unfortunate that one group of people should be able to paralyze the whole national economy. But that is a problem not for the directors of the railway company to solve. Rather that is a national labor relations problem. And it seems to me to get out of that situation is a problem for the Dominion Government and not for the directors of any railway company. They will have to decide whether any group of people can paralyze the railways and tie up the national economy.

Q. Last year the railways did in fact choose to pay the demands that were asked by the employees, did they not?

HH

A. I believe they did in the first instance, but I am not familiar with the details. But they finally got in the position where they did make the decision.

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Q. Well, now, you have no other suggestion, then, for that other than what you have said?

A. No.

Q. We will try to find the prayer that you refer to. Coming to distributing rates, on page 5 of the brief, Mr. Fillmore, you say in eastern Canada, these rates apply both ways, that is, to and from urban centres, whereas in the west they apply only from urban centres. Is it not a fact that the outbound rates are allowed to apply on inbound movements to distributing centres in the west where there is a substantial movement of traffic? Are there not tariffs?

A. Well, I understand that these remarks do not apply to commodity rates.

Q. Well, my information is that commodities that move in any substantial quantity have in some cases been allowed to move on the distributing rate, and that the outbound rate does apply on inbound movements -- for instance, barrels and kegs, vinegar barrels and bottles, and hides and skins, and certain agricultural implements returned for repairs, and a number of items of that kind. Are you familiar with that? In that connection I would refer to the tariff ---

A. Excuse me a moment while I ask.

Q. In that connection I would just refer, for instance, to a tariff which is number C.N.R. W192M, C.T.C. No. 1962, which covers a number of commodities, in some cases carload lots and in others less than carload lots, and ask you to verify at your convenience whether

the railways are not in practice at the present time, in cases where there are substantial movements of the kind to which I refer, allowing the same practice to be followed in western Canada as prevails in eastern Canada regarding distributing rates?

A. I am instructed it applies regarding many commodities. It would be very easy for the railways to demonstrate on which ones.

THE CHAIRMAN: Can you identify that document?

MR. O'DONNELL: Yes, my lord; it is C.N.R. tariff W192M, C.T.C. No. 1962.

Q. Now, just a few words, Mr. Fillmore, with respect to the Hudson's Bay. That railway is one, I understand, concerning which certain difficulties of operation prevail. It is not open throughout the year, is it, to your knowledge?

A. Well, I think it is; that is my information.

Q. The port of Churchill?

A. No, the port is not.

THE CHAIRMAN: Would you tell me, while you are on this point, what would you say is the distinction between distributing rates and other rates?

MR. O'DONNELL: Distributing rates and other rates?

THE CHAIRMAN: Yes.

MR. O'DONNELL: Distributing rates, my lord, as I understand it, are 85 per cent, fixed at 85 per cent roughly of the rate which would otherwise prevail. If it were not for the distributing rate the full tariff rate would apply.

THE CHAIRMAN: Why do you call those distributing rates?

MR. O'DONNELL: Well, that is the name which is given to rates governing shipments into definite points, for instance, in the prairies, which are known as distributing points. There are a number of distributing points both in the east ---

THE CHAIRMAN: Are they from one central point to various outlying points?

MR. O'DONNELL: From a number of central points.

THE CHAIRMAN: From a number of central points to a number of outlying points?

MR. O'DONNELL: And the rates from those distributing points and into them in the east are lower than the ordinary rates which would otherwise prevail. There is a difference of about 15 per cent, I understand, in the ordinary tariff which would otherwise prevail were it not for the distributing rate.

THE CHAIRMAN: When you say otherwise, do you mean on through freight or freight from other points?

MR. O'DONNELL: Well, the rate, my lord, into the distributing point, which is a fixed point, of which there are a series, is lower than the ordinary standard rate which would otherwise apply.

THE CHAIRMAN: Then on what will it apply? Here you have two rates, one of which is a standard rate and the other a lower one which you call a distributing rate. Here are these two rates; one is the standard rate and the other is a lower rate which you call the distributing rate.

MR. O'DONNELL: Yes.

THE CHAIRMAN: I have not in my mind what is the difference, what brings about the difference between them.

Are they different commodities, or what?

MR. O'DONNELL: No, they are not different commodities, but they are different rates which govern shipments on commodities from distributing points to outlying districts, and, as I understand them, they originally were intended, I think, to take care particularly of a situation of a wholesaler who would bring a shipment into a distributing point say in a carload, and then he would break up his carload and ship it out to the surrounding country.

THE CHAIRMAN: I see. That place to which he would bring it would be a distributing point?

MR. O'DONNELL: A distributing point.

THE CHAIRMAN: From then on to the various other points the rate of freight is lower; is that it?

MR. O'DONNELL: That is as I understand it, my lord; and in the east they allow the shipment from those outside points to the distributing point inbound.

THE CHAIRMAN: Inbound?

MR. O'DONNELL: For instance, if we have a distributing point say at Saskatoon or anywhere else, where the distribution is being made, the outbound rate, distributing rate, is a lower rate than would otherwise prevail.

THE CHAIRMAN: Outbound from where?

MR. O'DONNELL: From the distributing point.

THE CHAIRMAN: From Saskatoon?

MR. O'DONNELL: Yes, on the distribution. Now, in the east the practice has been or is, as I understand it, that shipments may be made from the outlying districts in to the distributing point at the same rate; that has not been the case in western Canada, and I think that is the point

about which our friends have complained. I was indicating that on the information I had the practice was in some cases at least identical in the west with what the tariffs call for in the east, and they allow the distributing rate to apply inbound as well as outbound from or to the distributing point, and it is a lower rate.

THE CHAIRMAN: What they would use, as at Saskatoon, as a distributing point -- distributing centre, I suppose it would be.

MR. O'DONNELL: Yes, my lord.

THE CHAIRMAN: When you are talking of outbound and inbound, do you mean from Saskatoon out and back to Saskatoon?

MR. O'DONNELL: Yes. For instance, there are a number of these distributing points in the west here that we can think of. In Manitoba, in one of these briefs -- Ihave forgotten which one it was -- several of them were mentioned, but Winnipeg is a distributing point, I understand, and so are Saskatoon, Portage, Brandon, Dauphin and The Pas. I think we will get a more direct and possibly more satisfying statement as to exactly what a distributing rate is from some of our experts, but I have tried to explain it. I know my friend Mr. Knowles can explain it very readily to your lordship and the Commission. I have done my best to explain my understanding of what it is.

THE WITNESS: I would be better satisfied with an explanation from Mr. Knowles or Mr. Buckingham.

MR. O'DONNELL: I likewise, my lord, would be much better satisfied with an explanation from some of Mr. Fillmore's experts with regard to some of the other matters.

THE CHAIRMAN: We like to see counsel examining on subject matter that they know all about.

MR. O'DONNELL: Well, that is something that I have yet to do. Maybe my friend Mr. Fillmore, with much more experience, has done that.

THE WITNESS: There is no subject which either one of us knows all about.

MR. O'DONNELL: Well, my lord, may I go on, then, about the Hudson's Bay?

THE CHAIRMAN: Yes.

MR. O'DONNELL: Q. In the brief of the City of Winnipeg, Mr. Fillmore, it is suggested that an effort should be made to have the insurance rates on ocean traffic reduced; I take it that is ocean traffic from and to Churchill?

A. Yes.

Q. Who do you indicate should initiate that? Does the Chamber of Commerce have any views on that?

THE CHAIRMAN: What is the point now? On what page?

MR. O'DONNELL: The top of page 6, my lord, the first sentence on page 6:

> "An effort should also be made to have the insurance rates on ocean traffic reduced."

I am asking Mr. Fillmore if the Chamber of Commerce or the City of Winnipeg has any idea as to who should initiate that endeavour, with underwriters, for instance.

THE CHAIRMAN: That would be very useful.

MR. O'DONNELL: Q. Is that by prayer again, Mr. Fillmore?

A I think the grain shippers would have to ---

Q. You think the initiative would lie with the grain shippers?

A. I don't know what the railways could do about it, or the Commission.

Q. Now, as a matter of fact, that railway operation that I mentioned at the outset is a fairly difficult one, is it not?

A. Well, my information is that nobody is very anxious to have it.

Q. And the shippers have not taken to that route very readily, although the railways have in fact provided the same commoditity rates from Churchill that they have from Port Arthur; in other words, the railways have done all they can to encourage traffic, notwithstanding which shippers have not taken very kindly to the route?

A. No.

Q. And that might be accounted for by, for instance, the difficulty of obtaining ships; did your experts give you any information on that?

A. No; I am barren of ideas.

Q. Pardon me?

A. I have no instructions on that.

Q. Now, is not another one of the difficulties there that, for instance, in the case of the grain crop this year, it is impossible to move this year's crop through Churchill, and that necessitates storage, for instance, and a carry-over of a year?

A. Well, I don't think we will get anywhere by discussing the Hudson's Bay route. I am no expert on it;

I cannot answer yes or no.

Q. Well, that is quite all right. The only reason I am asking you is that I did not know whether the City of Winnipeg and the Chamber of Commerce intended to make available people who would support the statements in the brief which you were good enough to read, and this might be my only chance to find out what ---

A. We are relying on the province to do that.

Q. I see. To your personal knowledge, or to your knowledge as a representative of the Chamber of Commerce, have you not heard it bruited about that the difficulty of shipping through Churchill is by reason of the necessity of carrying over the grain crop, for instance, of a year, and the payment of storage charges and insurance charges all went to make it less attractive for the shipper to ship that route?

A. That is one of the obstacles.

Q. Now, just one other point, Mr. Fillmore. With respect to agreed charges, which you refer to on page 6 of your brief, can you suggest or does the Chamber of Commerce or the City of Winnipeg wish to make any suggestions to the Commission as to how any more effective control over agreed charge rates can be obtained than that control which is provided by section 35 and following of the Transport Act, 1938, and by the Regulations of the Board of Transport Commissioners with respect to agreed charges such as General Order No. 581, adopted on the 21st January, 1939?

THE CHAIRMAN: What is the gist of the regulations about agreed charges?

MR. O'DONNELL: Well, my lord, the most complete information must be given to those who are interested in

any agreed charge which might be initiated between the railways and the shipper who is interested in entering into an agreed charge, which is a contract.

THE CHAIRMAN: Who would be interested outside of those two parties, the railway and the shipper?

MR. O'DONNELL: Anyone who might be affected by the fact that a rate is put into force, and under the regulations of the Board of Transport Commissioners, which regulates, which I have just referred to as being General Order No. 581, there is Appendix "C", which contains a list of eighteen different boards of trade, Lumbermen's Association, Manufacturers' Association, Industrial Traffic League, Calgary Board of Trade, Saskatoon, Toronto Board of Trade, the Transportation Commission and the Maritime Board of Trade, which represents the three maritime provinces. They all must be notified. They are the list of individuals or organizations to whom copies of the notice, Appendix "B", which is a notice that these parties have applied to the Board for approval of their agreed charge, must be sent; and if the Commission would be good enough at its convenience to read the provisions set out for agreed charges in the Transport Act which will be found in Section 35 and following, I think the Commission will see that there is a very ample control with respect to these matters. I wondered what the Winnipeg Chamber of Commerce or the City of Winnipeg might have in mind by way of requiring any further precautions or studies to be made in connection with these matters.

THE WITNESS: Well, my instructions are, the complaint is that these agreed charges may not come to the

attention of other shippers whose business may be affected, and that the notice, the publicity, is not sufficient to give notice and warning to competitors in the same line.

MR. O'DONNELL: Q. Well, there is notice required through publication in the Canada Gazette, and then there is notice to all these various organizations and presumably business men?

A. Their suggestion is, that is not sufficient notice.

Q. It is not sufficient notice. Well, have they any more adequate notice in mind than that which is required by the law and the regulations?

A. Well, I have no instructions on that. I presume some publication in the newspaper in the locality affected would be of some good.

Q. Now, the brief also says that these agreed charges may work to the disadvantage of smaller businesses and hence concentrate control of industry in the larger centres, particularly in the east. Did the Board to your knowledge make any study of the provisions of the Transport Act which are there to prevent exactly what the Board of Trade suggests is something which requires remedy?

A. Not that I know of.

Q. Because I wish to draw to the attention now of the Commission, my lord and members of the Commission, that even where an agreed charge has been negotiated between two parties -- that is, the railway and the shipper -- there is provision to take care of any shipper other than a party to the agreed charge who considers himself or the company in question to be adversely affected, and they may apply

for a fixed charge which will give them the same treatment as is accorded by the agreed charge. I won't take any further time of the Commission in that case, but it just occurred to me that the provisions were adequate, and I wondered if the Board of Trade or the Chamber of Commerce had any other specific suggestions to make?

A. Well, it may be their own fault, but apparently the agreed charge does not come to the attention of the average shipper, and he also appears to be unaware of the fact that provision is made for safeguarding his interests -- at least, the gentlemen who spoke to me were all experienced traffic men, and they did not appear to know about that.

MR. O'DONNELL: In that connection I would just indicate, my lord, that the list of inbdividuals of Appendix "C" to which I ha e made reference, the last one, under No. 19, requires notice to be sent to such other companies or organizations known to be engaged in the same line of business and whose business is located or operated in the same general territory in which the proposed agreed charge is to operate.

Q. And over and above that, you think that the Board of Trade or the Chamber of Commerce, Mr. Fillmore, considers that some further notice should be given?

A. That is what they instructed me.

Q. I thank you, Mr. Fillmore.

CROSS-EXAMINED by MR. FRAWLEY

Q. Mr. Fillmore, would you turn to the bottom of page 3, of your brief? Just to complete the record, Mr. Fillmore, have you any instances where the rates of groups A and B to Winnipeg are out of line with the groups A and B to Edmonton

on a ton-mile basis? Have you some instances?

A. Yes; from Fort William -- from what points? You mean from Fort William to points in Alberta?

Q. I just thought that if your working papers indicated some instances we would complete the record by putting them in, that is all, Mr. Fillmore -- just two or three of them; I don't want many.

A. This is what I had in mind: rates from Fort William, Ontario, to Calgary based on actual mileage -- I will file this and give Mr. Frawley a copy -- first class is $1.62 for 420 miles, Fort William to Winnipeg, and it is $1.74 for 822 miles beyond Winnipeg to Calgary. That is, it is $1.62 Fort William to Winnipeg, and it is $1.74 from Winnipeg to Calgary, which is twice as far. In the fifth class it is 74 cents for 420 miles to Winnipeg; it is 76 cents for 822 miles beyond Winnipeg. That is, 74 cents from Fort William to Winnipeg, fifth class, $1.50 from Fort William to Calgary, 1242 miles. That is based on the actual mileage. Now, if you take the constructive mileage,first class, from Fort William to Winnipeg is $1.28, and for the 822 miles beyond Winnipeg to Calgary $1.86, making $3.14 for the constructive mileage, Fort William to Calgary, as against $3.36 based on the actual mileage, standard class rates.

Q. Thank you, Mr. Fillmore. Now the other class, that is, the rates from the central provinces to Winnipeg versus central provinces to Edmonton, on a ton-mile basis -- just one or two of those?

A. I have no examples here, but I think the rate from the east to the head of the lakes would be the thing. You

would only have to add that on to these rates, as I understand it.

Q. All right; I thought perhaps you had them there, and the record might be completed. Now will you turn to your list of rates, the first schedule following page 7. Are these twelve instances the result of going thoroughly through the transcontinental competitive rate tariff, or are they just some taken at random?

A. I am instructed they are taken at random.

Q. I notice, looking at it, Mr. Fillmore, that only with respect to item 1 is the rate from groups A and B to Winnipeg higher than the rate from groups A and B to Vancouver -- and 3, I don't know whether that is in the same class or not -- canned goods and pickles and vinegars. Would you cast your eye over the list and see? I think that is right.

A. Yes.

Q. There is not much apex in Manitoba, then, I take it?

A. I don't know what that means.

Q. Mr. Fillmore, did I understand you to say to Mr. Commissioner Angus that the attitude of the Winnipeg Board of Trade was that you wanted to retain your geographical advantages, and those areas which have geographical disadvantages were just to be left with them? Would that be a right paraphrase of what you said?

A. Well, that is rather an awkward situation, because, while I represent the Winnipeg Chamber of Commerce we have had no referendum, and I do not know the view. We have two thousand members, and I do not know the majority views on that subject, but it seems to me to be logical, if the

freight rates are based on the length of haul, well, what are you going to do to make up to some out-of-the-way place the disadvantage of its geographical location?

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Q. I thought that was what you meant. That is a nice neighbourly sentiment, anyway. You are not one of those people that think you are going to get some of our natural gas down here?

A. Well, I don't know about that.

CROSS-EXAMINED by MR. BRAZIER

Q. I wish to ask a few questions of Mr. Fillmore with respect to the trans-continental rates. You have already told my learned friend, Mr. Frawley, that these twelve examples are taken at random from the trans-continental tariff?

A. That is what I am instructed by the gentleman employed by the Winnipeg Chamber of Commerce in connection with freight rates.

Q. When a shipper is considering a specific rate on a commodity, is it only necessary for him to consider the rate in dollars and cents or are there other factors that he must look into?

A. Well, I am not in trade and commerce. If you wish to ask questions along that line I will ask one of the committee to answer them.

Q. Let me put this question and probably it will simplify it. Looking at example No. 1, canned goods, you will note that the carload minimum on the rate of $1.33 to Vancouver is 60,000 pounds whereas the carload minimum on the $1.38 rate to Winnipeg is only 24,000 pounds?

A. Yes.

Q. Do you think that is a factor that a shipper would

take into consideration as well as the rate?

A. Well, I would think so but I don't know. I am only guessing.

Q. Taking that same example can you tell me what revenue the railways would receive from a minimum carload shipment to Vancouver as against the revenue in dollars and cents that they would receive on a minimum carload shipment to Winnipeg?

A. No; the answer is no.

Q. I have worked it out, and I would ask you to check these figures. It is very easy to do. On the shipment to Vancouver the railways would receive $798.

THE CHAIRMAN: On how many pounds?

MR. BRAZIER: On 60,000 pounds, which is the minimum.

THE CHAIRMAN: How much?

MR. BRAZIER: $798. That is 600 times the rate of $1.33. I have worked these out quickly, and there may be some arithmetical errors, but on the shipment to Winnipeg --

THE CHAIRMAN: 24,000 pounds?

MR. BRAZIER: 24,000 pounds -- the railways would receive $431.20. That is 240 times the $1.38. I stand corrected; it should be $331. That is to say, the railways will receive twice the revenue on the car going to Vancouver as they would on a minimum carload coming to Winnipeg.

Q. Is that correct?

A. Yes, but hauling over twice the weight in goods.

Q. I suppose you would have no information as to

what additional cost there is to the railways in hauling twice the weight in a single car?

A. No, I have not the remotest idea.

Q. I draw your attention now to one other example, item 4, malted milk. I do not know whether that is shipped in carload lots, but it is apparently in the tariff and is used. I suggest to you on a minimum shipment to Vancouver the railways receive $1,254, and on a minimum shipment to Winnipeg they receive $400. Do those seem approximately correct to you?

A. Yes.

Q. And that applies in most of these examples that you have given here. The carload minimum to Vancouver is much greater than the carload minimum to Winnipeg, is it not? I think there is one where it is lower to Vancouver.

A. There is one where it is lower to Vancouver. Some are 36,000 against 30,000 --

Q. Except for the one.

A. 40,000 against 30,000; 40,000 against 24,000; 30,000 against 24,000; 20,000 against 24,000.

THE CHAIRMAN: Mr. Brazier, what rates apply in these cases on less than these minimum weights?

MR. BRAZIER: I presume, Mr. Chairman, that the less than carload rate would be substantially higher than these rates, very substantially higher. As I understand it today there are very few trans-continental rates in less than carload shipments. Most of those have been removed from the tariff completely.

Q. Looking at one other example, No. 5, hardware

and tools, you see there that you have a higher minimum to Vancouver, 36,000 as against 30,000 to Winnipeg, and the rate to Vancouver is $2.58, and that to Winnipeg $1.38. Take a shipment of hardware and tools from Montreal to Winnipeg, and one from Montreal to Vancouver. Winnipeg is approximately half-way to Vancouver; is that correct?

A. I think that is about right.

Q. Now, you have already approved of the principle of tapering in rates; am I correct?

A. I have not approved of it. I said that it exists.

Q. Are you asking to have that changed?

A. I am not asking anything; you are asking me.

Q. Taking into consideration the principle of tapering, do you not think that the rate to Vancouver and the rate to Winnipeg appear to be very fair? The rate to Vancouver is not quite double, but it is very close to it.

A. That does not seem very much out of line.

Q. You would not complain normally about a rate of that nature, would you?

MR. COVERT: I am wondering if it would not be better for the expert to answer these questions. I understand that Mr. Fillmore does not pose as an expert, and if the expert is here it might save the time of the Commission.

THE WITNESS: I do not think my answers would be of much value.

THE CHAIRMAN: Q. Have you somebody else who can answer on these matters?

A. Yes.

THE CHAIRMAN: Mr. Brazier, why not ask him? Let us have qualified witnesses.

JOHN WALKER, Called

BY MR. BRAZIER:

Q. Mr. Walker, I was just speaking of item No. 5 cited in the brief, hardware and tools.

A. Yes.

Q. What criticism have you as a transportation expert of the differential in the rates here?

A. The rate from Montreal to Vancouver is $2.58, and to Winnipeg $1.38. The rate from Winnipeg to Vancouver would be $2.07.

Q. These are trans-continental rates you are dealing with here?

A. Yes.

Q. Let us not confuse it with local rates.

A. Why not?

Q. There are different considerations there. This whole section of the Chamber of Commerce brief is directed to an attack upon the trans-continental rates?

A. Yes.

Q. On that basis what complaint have you as to the difference between these two rates as shown in example No. 5?

A. Well, we think that this $1.38 rate is too high compared with the Vancouver rate.

THE CHAIRMAN: Q. Pardon me, but we did not hear you. What did you say?

A. The rate from Montreal to Vancouver of $2.58 as compared with $1.38 to Winnipeg - we consider the Winnipeg rate is too high. Winnipeg has got to ship to Vancouver at a rate of $2.07, and if you add $2.07 to $1.38 it gives a rate of about $3.45 as against the Montreal to Vancouver rate of $2.58.

MR. BRAZIER: Q. You are making a comparison of the through rate and the local rate, are you not?

A. Well, they are all tied in together.

Q. I have not seen anything in your brief, until you mentioned it now, that the rates from Winnipeg to Vancouver are too high. It is simply that the comparison of rates between Montreal and Vancouver, and Montreal and Winnipeg is out of line?

A. Yes.

THE CHAIRMAN: Pardon me a moment. In item 5, the rate of $2.58, with a minimum of 36,000 pounds, is from where to Vancouver?

MR. BRAZIER: Groups A and B are Ontario, the industrial sections of Ontario and Quebec. It extends from Toronto to Montreal.

THE WITNESS: Montreal and Toronto.

THE CHAIRMAN: Q. To Vancouver?

A. Yes.

MR. BRAZIER: And from the same point to Winnipeg.

THE CHAIRMAN: To Winnipeg.

MR. BRAZIER: I was taking Montreal to Winnipeg and Montreal to Vancouver because Winnipeg is halfway between Montreal and Vancouver.

THE CHAIRMAN: Yes.

MR. BRAZIER: Q. Actually on a mileage basis these rates are very comparable, are they not?

A. I would not say so.

Q. Even if you double the rate, which is all you would have to do on a mileage basis, you would only have $2.76 to Vancouver?

A. Yes.

Q. When you take into consideration the accepted principle of tapering rates plus the fact that the carload minimum to Vancouver is greater than it is to Winnipeg, would you still say that these rates are out of line?

A. Yes.

Q. Why?

A. Well, Winnipeg has got to ship out to Vancouver as compared with the Montreal rate to Vancouver.

Q. This shipment is going either to Winnipeg from Montreal or to Vancouver from Montreal. It has nothing to do with anybody in Winnipeg.

THE CHAIRMAN: That is just the point. It seems to me that the witness is introducing the element of a shipment from Winnipeg to Vancouver.

THE WITNESS: That is correct.

THE CHAIRMAN: That is not within the purview of this page here.

MR. BRAZIER: No.

THE CHAIRMAN: These figures are prepared to show the rate from eastern Canada to Vancouver, and from eastern Canada to Winnipeg?

MR. BRAZIER: That is right.

THE CHAIRMAN: Q. You say then that these higher rates from eastern Canada to Winnipeg operate against you when you ship from Winnipeg to Vancouver?

A. That is right.

THE CHAIRMAN: That is new. That is another consideration there.

MR. BRAZIER: That has not been covered previously in the brief at all.

THE WITNESS: Perhaps not.

THE CHAIRMAN: From a practical point of view we would like to know what importance there is in that feature. Perhaps you are not prepared, Mr. Brazier.

MR. BRAZIER: I do not know if Mr. Walker can tell us.

Q. Are you competing here in Winnipeg with anyone in Montreal, a manufacturer in Montreal, for traffic to Vancouver?

A. Yes, definitely so.

Q. In hardware and tools?

A. Well, yes.

Q. A manufacturer here in Winnipeg or a distributor in Winnipeg?

A. It is a distributor.

Q. A distributor in Winnipeg who buys his product from Montreal.

THE CHAIRMAN: He pays for it at the rate of $1.38 on the 30,000 pound basis. That is right?

MR. BRAZIER: That is right.

THE CHAIRMAN: Then he wants to ship it further to Vancouver.

MR. BRAZIER: He wants to distribute it in Vancouver, and I understand that the witness is complaining because the distributor in Winnipeg cannot get the goods to Vancouver as cheaply on the two rates as the manufacturer can from Montreal on a single rate.

Q. Is that correct?

A. That is right, yes.

Q. If the distributor in Winnipeg was selling those goods in Vancouver he could order them from the manufacturer in Montreal and have them ship it right through to Vancouver at the $2.58 rate?

A. Yes.

Q. He does not have to bring them here to Winnipeg and then reload them and send them on?

A. No.

Q. So if he is selling these goods in Vancouver he is not hurt in any way.

A. Well, he is also competing for business in Edmonton and Calgary.

Q. I will leave that to my learned friend, Mr. Frawley, but you will agree with me that comparing that with the trans-continental rate in item 5 the rate appears to be fairly well in line?

A. If you take item No. 5, but what about item No. 1, the rate on canned goods? From Montreal to Winnipeg it is higher than it is from Montreal to Vancouver.

Q. I suggest to you there that the difference in the carload minima make the rates rather difficult to compare?

A. I do not see why the minima have very much to do

with it.

Q. Well, if you were a distributor would you not rather buy your goods in 24,000 pound lots than in 60,000 pound lots?

A. Well, I don't know; that is a matter of finance.

Q. Financing, and also not having to buy so much at one time?

A. Perhaps so.

Q. There are other rates there besides item No. 5 which seem to be fairly well in line. Let us take the last one, the rates on refrigerators. I presume that is a big item of shipment between eastern Canada and Winnipeg, and eastern Canada and Vancouver. Do you think that is correct?

THE CHAIRMAN: Which is that?

MR. BRAZIER: The last one, refrigerators.

THE CHAIRAAN: Item 12.

MR. BRAZIER: Q. As far as I know all refrigerators in Canada are manufactured in Ontario and Quebec?

A. I think that is probably correct.

Q. Comparing the rate to Winnipeg as against the trans-continental rate would you say that they are fairly well in line?

A. Well, Winnipeg is less than halfway across the continent, and considering that I do not think it is.

Q. I thought we agreed that it was about halfway. I am not sure of the exact mileage.

A. It is a little less than halfway.

Q. There is about fifty miles difference?

A. All right.

Q. Then when you take into consideration again the

principle of tapering, which you agree should be applied to rates on shipments over the longer distance --

A. I do not agree to that, no.

Q. You do not agree to it?

A. It is fair but I do not agree to it.

Q. You believe that the rates should be set entirely on a mileage basis without any consideration for the distance shipped?

A. Well, I don't know about that.

Q. I do not think the Winnipeg Chamber of Commerce would be very pleased with that, would they?

A. No, perhaps not.

MR. BRAZIER: That is all.

THE CHAIRMAN: Mr. Evans?

MR. EVANS: I have nothing to ask.

MR. COVERT: No questions.

THE CHAIRMAN: Thank you, Mr. Walker.

MR. COVERT: Q. Before we leave Mr. Walker, perhaps for the record you might tell us what your position is. You are a traffic expert, are you not, employed by the Winnipeg Chamber of Commerce?

A. I am employed by the Winnipeg Chamber of Commerce, I am secretary of the transportation bureau.

THE CHAIRMAN: What is next?

MR. COVERT: The next one is the Manitoba Federation of Agriculture. I believe Mr. Shepard proposes to introduce them.

MR. SHEPARD: This is Mr. J. Wilton, a director of the organization that is appearing.

THE CHAIRMAN: Mr. Wilton is going to read the

brief?

MR. SHEPARD: Yes. Before he does so I should like to say that, in my capacity acting for the Manitoba government, I have been asked to introduce several of the subsequent briefs which will be brought before your Commission. I have also been instructed by the government to be of what assistance I can to these gentlemen who are going to present briefs on behalf of various organizations. I think in fairness to the Manitoba government I should state, however, that the views expressed by these gentlemen do not necessarily coincide in every respect with the attitude of the government of Manitoba on certain of the matters, but I am available to them to assist the Commission in getting their briefs presented.

J. WILTON, Called

THE CHAIRMAN: We will begin by hearing this brief read by Mr. Wilton?

MR. SHEPARD: Yes. I think it might be well if I asked one or two preliminary questions of Mr. Wilton so that you will be familiar with who he is.

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Q. Mr. Wilton, I believe you are a director of the Manitoba Federation of Agriculture and Co-Operation.

A. Yes, sir.

Q. And I notice that this brief which you are about to read is signed on behalf of the Manitoba Federation of Agriculture and Co-Operation, by Mr. C. E. Wood, the President.

A. That is right.

Q. I understand there is a good reason for Mr. Wood's absence, and I think perhaps the Commission should know what it is.

A. Mr. Wood is attending the I.F.A.P. conference at Guelph, Ontario, at the present time. That is, the National Farmers Agricultural Organization.

THE CHAIRMAN: Very well, Mr. Wilton, if you will proceed.

THE WITNESS: The Chairman and Commissioners, Royal Commission on Transportation: The Manitoba Federation of Agriculture and Co-operation is a farmers' organization embracing all the agricultural co-operatives in Manitoba, whose combined membership includes approximately 80 per cent of the farmers in the province.

The main function of the Federation is to represent the views of organized agriculture and the co-operative movement in Manitoba, to governments and other public agencies and authorities. It also carries on a broad program of educational and informational services through the media of meetings, mail and press. This program is designed to interpret the views of agriculture to the

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general public, to promote the progress of the rural community, and to raise the standards of farm life. Organized democratically and representing farmers in all circumstances and in all sections of the province, no other organization is better qualified to speak for organized agriculture.

The federation is also the provincial section of the Canadian Federation of Agriculture and the Co-operative Union of Canada. It is the direct descendant of the Manitoba Grain Growers Association formed at Virden, Manitoba, in 1903 when farmers first sought to solve collectively the pressing problems with which they were confronted. Transportation was one of the most important of these problems.

It will be understood that organizations such as this Federation do not have the means or personnel to make exhaustive studies of transportation problems. It is proposed, therefore that in this presentation, we will confine our observations more or less within the scope of the Commission's first term of reference:

> Review and report upon the effect, if any, of economic, geographic or other disadvantages under which certain sections of Canadanfind themselves in relation to the various transportation services therein, and recommend what measures should be initiated in order that the national transportation policy may best serve the general economic well-being of all Canada.

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IMPORTANCE TO AGRICULTURE: 2. In a pioneer society such as the one from which we in Western Canada have not yet completely emerged, transportation looms as the main essential of development. The Prairies, which consume only a small fraction of what they produce, need adequate and efficient transportation facilities to move surplus goods to where they are required. Historically, western agriculture developed as transportation was available, and the pattern of rural settlement follows first the navigable waterways, later railways and roads. A sound and well balancedrailway system is essential to the development of rural communities and the growth of the agricultural industry.

A brief study of the history of western agriculture reveals that by the turn of the century farmers were already in dispute with the railways over transportation matters. Since that time, however, many of those early transportation problems of the farmers have been solved with the introduction of motor carrier competition. Some of the ills were corrected by legislative intervention, some by the railways themselves. We are aware of the services towestern agriculture provided by the railways throughout the years, which have, for the most part, been adequate and efficient. The problems which remain are, in the main, the result of geography, and are complicated by a freight rate structure which discriminates against Western Canada, imposes upon us a disproportionate share of transportation costs, and makes the competitive position of western producers more difficult.

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GEOGRAPHICAL PROBLEM. 3. Manitoba, being situated centrally within our wide Dominion, is a great distance from seaboard. It is a long distance from the St. Lawrence basin where the bulk of our agricultural products other than wheat find their market. It follows that under those circumstances our farmers have to pay more for getting their products to market than eastern farmers. Similarly, as consumers, they have to pay higher transportation charges on the goods they buy. This is a disadvantage or geography which, though rather serious, is sometimes offset by advantages not related to transportation such as soil fertility, climate, and large scale mechanization

Nevertheless the Manitoba farmer, as a result of geography, finds himself at a competitive disadvantage with those farmers who live more or less within their markets.

COMPETITIVE ASPECTS OF TRANSPORTATION COSTS. 4. The farmers on the prairies compete with the farmers in the Central Provinces for the markets of Eastern Canada, and the markets of Eastern United States to the extent that they are avilable. The ability of Western farmers to compete successfully with those of Ontario and Quebec depends on their relative costs of production, which includes the cost of getting their produce to market. The relatively higher costs of transportation paid by the West, as had been previously pointed out, is due partly to geography and distance, partly to a higher average level of freight rates.

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If the rates established were entirely equitable as between East and West, the Western farmers would then suffer only the handicap of distance. If on the other hand, through competition or other factors, the rates in effect in Eastern Canada are inequitably low then the competitive disadvantage to Western agriculture becomes very marked.

We are not suggesting that all geographic disadvantages should be equalized by adjusting the freight rate structure. What we do suggest is that the West should not be further penalized by higher freight rates than those in effect in areas with which the West is competing. In other words, we accept our natural disadvantages providing further "unnatural" ones are not imposed upon us. We agree, also that the Railway Companies cannot be expected to alter their rates in order to equalize costs of production in all parts of Canada. In this we concur in the principles laid down in the judgments referred to on page 198 Book II Report of the Royal Commission on Dominion Provincial Relations; "Railways are not required by law, and cannot in justice be required to equalize natural disadvantages such as location, cost of production and the like." However, we maintain that railways, on the other hand, ought not to be allowed to aggravate the natural disadvantages by unsupervised manipulation of the rate structure.

We contend that we have unnatural disadvantages imposed upon us, Whether or not rate discrimination has been practised need not be discussed here at length,

since it is acknowledged on all sides. Within the freight rate structure are certain inequalities for the same class of goods moving equal distances in different parts of Canada. These differences manifest themselves not only in the class rates but in special, competitive and distributive rates.

The Board of Transport Commissioners takes the views that the Railway Act authorizes discrimination. The Act, they say, only forbids discrimination when it is undue and unreasonable. Over the years this policy has resulted in the number of discriminatory rates being increased. We find it difficult to believe that in all cases due consideration has been given for their effects outside and beyond the area in which those rates have been established. We understand that in a substantial number of cases low competitive rates of this type have been allowed to remain in effect long after the original reason for them has disappeared. It will be seen that a substantial lowering of rates in, say, Ontario effects the ability of farmers in Western Canada to compete with Ontario farmers.

It ought to be a principle of rate-making that full consideration be given to the effect of rate adjustments beyond the area in which those adjusted rates are effective; and that the application of this principle should be under the supervision of a body required to act in the interests of Canada as a whole, and not left to the discretion of the railways.

THE EQUALIZATION PRINCIPLE .5.It might be expected from the foregoing that our organization

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supports the principle of equalization laid down in Order-in-Council P.C. 886 of 1925. "That the policy of equalization of freight rates be recognized to the fullest extent as being the only means of dealing equitably with all parts of Canada, and as being the method best calculated to facilitate the interchange of commodities between the various portions of the Dominion, as well as the encouragement of industry and agriculture and the development of export trade."

We submit that the attitude of the Board of Transport Commissioners and the Railways is not one which is conducive to the effective application of that principle, and that the movement towards the reduction of regional differentials is intolerably slow. It is twenty-four years since the instructions contained in P.C. 886 of 1925 were given to the Board of Transport Commissioners, and the practical results of the Board's administration of the Railway Act is that Western Canada still bears a disproportionate share of the burden of rail transportation costs. It is our view that both the Railways and the Board of Transport Commissioners are too ready to accept the idea that regional discrimination is inevitable. The attitude of the Railway companies appears to be that in this imperfect world, they must get their revenue where they can. If for reasons of competition, or other factors, the revenue is not forthcoming in one area, they can extract their deficiency from another area. The views of Mr. P. C. Armstrong, Economic Consultant to the C.P.R. in this regard are interesting. On a radio broadcast from Toronto on February 14, 1949, he said this:

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"Railway rates have to discriminate between localities in proportion to distance because they have to meet competition. The railways have to discriminate, if you choose to use that word, because of distance, because of operating difficulties, and because of competition. They may not discriminate unjustly and it is left under the law for the Board of Transport Commissioners to decide on every charge that the railways have practised unjust discrimination." The inference we draw from this statement is that all cases of discrimination are just and that they have the blessing of the Board of Transport Commissioners. We cannot subscribe to this view.

We believe that as a result of this discrimination, the Prairie Provinces have to pay a higher average level of rates than otherprovinces, and that this disadvantage ought, in all fairness, to be removed.

If the principle of equalization is applied and we think it should be, then some control must be exercised at national level to ensure that competition between carriers in Eastern Canada is not permitted to work to the disadvantage of Western Canada. If competition forces the widening of Regional differentials in rates, then consideration should be given to limiting the effects of competition by regulation or other means.

LOW OPERATING COSTS ON PRAIRIES:6. It has been stated many times that the prairie economy requires cheap, efficient transportation in order to take its products into the export markets at a cost which will permit it to compete with other surplus food producing

areas of the world. The Railway Companies are fond of saying that freight rates in Canada are lower than any other country. We submit that this fact is not too relevant unless consideration is given cheapness of operation over the prairie provinces. The criteria of cheap transportation is not what the rates are in some other country, but rather the revenue derived from the present rates compared to the costs of providing the service.

In dealing with the principle of rates reflecting costs, we contend that the grain rates in Western Canada can only be appraised by considering the actual costs of hauling grain; and we further subscribe to the view that the present grain rates are fully justified, both from the point of costs and the economic well-being of Canada as a whole. We understand that the province of Manitoba will submit evidence and argument at a later date in support of this view.

TRANSPORTATION COSTS: 7. It is obvious that the people of Canada are particularly those using these services must pay for the cost. They are anxious to keep these costs as low as possible. We are not satisfied that the costs of operating the Canadian railways are as low as they could and should be. Evidence was submitted to the hearings of the Board of Transport Commissioners on the application for a 20 per cent increase in rates, showing wages effective for certain classes of labour. These rates are so high that few of our farmer owned organizations could pay them and remain in business.

The 17¢ an hour increase granted during 1948 would

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cost about $67,000,000.00 according to figures given by the railways to the Board of Transport Commissioners. If these wage increases are to be passed on to the public in their entirety then we say there ought to be closer public scrutiny of railway business. The question that arises in our mind is how far this inflated cost structure is carried. Does it apply as well to maintenance, repair and construction? These factors should be investigated in the public interests.

One of the things this organization touched on during the Board of Transport Commissioners hearings on the application for 30 per cent increase in freight rates in June 1947, was the fixed nature of transportation costs, particularly freight rates, compared with the widely fluctuating values of farm commodities. We pointed out at that time that there has been instances where freight costs had absorbed almost all the revenue from the sale of a particular farm product. We do not say that rail rates ought to follow the index of agricultural prices, but we do say that the fluctuation in agricultural prices points up the urgency of having the lowest possible costs so that in times of depressed farm prices transportation costs do not exact too heavy a toll from agriculture.

TRANSPORTATION AND TARIFFS: 8.The anti-tariff position of this and other Western farm organizations is well known. Tariffs on goods entering Western Canada from the United States have the effect of forcing us to purchase goods from the tariff protected industries

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of Ontario and Quebec. It also compels us to have goods shipped over the expensive rail route between Winnipeg and the Eastern Cities. Large manufacturing and distributing centres in the U. S. are located nearby, such as Minneapolis, St. Paul, Milwaukee and Chicago. These places are considerably closer to Manitoba than Canadian manufacturing centres, and the railroads connecting the American centres with Winnipeg are built over less costly terrain. It is not unreasonable to think that some considerable saving on transportation costs could be made if manufactured goods from the U. S. were permitted to enter Western Canada free of duty. It is also our understanding that freight rates on farm machinery from the U. S. are higher after entering Canada, than on the same goods originating in Canada and hauled an equal distance. Such practices should be eliminated.

EFFECT OF DISTRIBUTIVE RATES: 9. Special distributive rates based on the regular class rates less about 15 per cent, are enjoyed in this province only by Winnipeg, Brandon and Portage la Prairie. However, those rates apply only on out-going shipments. We understand that in the East distributive rates apply on both out-going and incoming shipments, and from quite a large number of points. We submit that this arrangement is not in the best interest of our rural consumers and producers who, in the end, have to pay these rates. For one thing, the restriction on the number of points enjoying distributive rates tends to retard the

development of other Manitoba centres; secondly, it does not seem quite fair to us that there is one kind of distributive rate system in Manitoba and a more advantageous one in Ontario.

In this connection the Railways have agreed to another arrangement which, in our opinion, is opposed to the best interests of rural Manitoba. That is the matter of mixing privileges. Winnipeg distributors may bring in mixed carlots of goods of the same grouping, break up the carlots and distribute them on the distributive rates. While this mixing privilege is extended to rural points, it has little real value since it is, in most cases impractical for small towns to take full cars of goods falling within the same general heading such as hardware, canned goods or machinery. This has the effect of directing nearly all the distributing business through Winnipeg since that is the only centre capable of distributing full cars of one group of commodities. In Eastern Canada, distributors enjoy carlot rates on cars of mixed goods of all descriptions, providing they all take the same rate classification. We suggest that privileges of that type ought in all fairness to be extended to Western Canada.

NEED FOR A FRESH APPROACH: 10. The freight rate structure with all its various class rates, special commodity rates, statutory rates and so on has grown into a most confused and complicated picture. The rates have been under constant revision and change for so many years that it is difficult to find any basic pattern or principle in them. After adjusting rates piecemeal for a long period, the railways have now taken to

applying for blanket increases. We suggest that both methods are wrong.

It is our view that an entirely new approach to the problem of transportation and transportation costs is badly needed. The whole rate structure should be revised, simplified, and a new one put in its place, which will meet the new requirements of the changed Canadian economy and which can be understood by the general public.

SUMMARY OF ARGUMENT: In conclusion our arguments may be summarized as follows:

(a) The Western producer is placed in a difficult competitive position because of a freight rate structure which discriminates against Western Canada and imposes a disproportion share of transportation costs.

(b) The Manitoba farmer, as a result of geography is at a competitive disadvantage with farmers who live more or less within their markets.

(c) It ought to be a principle of rate making that full consideration is given to the effect of rate adjustments beyond the area in which those adjusted rates are effective; and that the application of this principle should be under the supervision of a body required to act in the interests of Canada as a whole, and not left to the discretion of the Railways.

(d) The principle of equalizatinnof freight rates should be applied and it is suggested that some control should be exercised at national level to ensure that competition between carriers in Eastern Canada is not permitted to work to the disadvantage of Western Canada.

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(e) The grain rates in Western Canada can only be appraised by considering the actual costs of hauling grain; and that the present grain rates are fully justified both from the point of costs and the economic well-being of Canada as a whole.

(f) There should be a closer public scrutiny of railway business to insure that there is no inflated cost structure creating a burden on the public.

(g) The elimination of duty on U. S. goods entering Canada would result in savings in transportation costs due to proximity of U. S. manufacturing centres. Also, that the higher rates on farm machinery after entering Canada from the United States than for an equal distance in Canada should be eliminated.

(h) The present system of distributive rates should be effective both ways in Western Canada within the distributing areas; that the number of centres enjoying distributive rates should be increased; and that the mixing privilege should be extended to equal those in effect in the East.

(i) The whole freight rate structure should be revised, simplified and a new one put in its place which will meet the new requirements of the changed Canadian economy, and which can be understood by the general public.

Respectfully submitted

MANITOBA FEDERATION OF AGRICULTURE AND CO-OPERATION

C. E. Wood, President

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THE CHAIRMAN: Now then, does anybody have any questions to ask?

MR. FRAWLEY: In the circumstances, Mr. Chairman, perhaps I should begin.

MR. FRAWLEY: Q. Mr. Wilton, I am interested in what you say about the difference in the mixing privilege in Eastern Canada and in Western Canada. Has your organization taken up with the railways the question why Western Canada does not get the same mixing privilege as Eastern Canada?

A. I could not be too sure of that one.

Q. Are you aware that the Canadian Pacific Railway says this at page 26 of its outline brief:

> "The Canadian Pacific Railway Company has no objection to the establishment of uniform mixing privileges throughout Canada. However, it has never been possible to obtain an agreement between the shippers in the East and those in the West as to the basis upon which uniformity could be achieved."

Do you know that is the difficulty, the failure to get an agreement between the shippers in the East and the shippers in the West.

THE CHAIRMAN: What page of the Canadian Pacific brief is that?

MR. FRAWLEY: Page 26, Mr. Chairman, and at the top of page 27 it goes on to say:

> "The Board of Transport Commissioners has ample authority to hear any complaint with regard to

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" mixing privileges and no question of economic or other policy such as would require the intervention of your Commission is involved in this submission."

Do you regard this failure to afford to the West the same mixing privileges to the West as to the East as a matter of importance?

A. We understand there are special cases where the distributing rate works both ways, but they are not available unless you can make a deal with the railways for them.

Q. I am not talking about distributing rates, I am talking about the mixing privileges which are apparently given out in the East rather than in the West. You have raised the point. You say that the present practice should be eliminated, do you not?

A. In so far as it is discriminating against the West.

Q. That is right. You say that is wrong.

A. That is right.

Q. That is right. So do I, if that is any help to you. Now, Mr. Wilton, will you tell me if you regard it as something of importance to your organization.

A. I should think it would be, sir, or it would not be in here.

Q. Have you made any approach to the railways to find out why you cannot get the same treatment in the West as they give in the East?

A. No.

Q. No, Mr. Wilton. I wish that you would just explain a little bit on the statement you made at the bottom of page 9 which I believe is very much worth while calling to the attention of the Commission. You say in your last line on page 9:

> "It is also our understanding that freight rates on farm machinery from the United States are higher after entering Canada than on the same goods originating in Canada and hauled an equal distance. Such practices should be eliminated."

Can you expand upon that a little bit for the information of the Commission?

A. I could give you an illustration but it won't be an example. Supposing a load of machinery left Noyes, Minnesota, and Winnipeg, Manitoba, for Regina, the same carload. It would oost us more to ship it from Noyes, the same distance, as it would from Winnipeg.

Q. I am talking about farm machinery originating in the middle west. manufacturing centres. Take Rock Island, Illinois. Do you know the makeup of the machinery or the rate on machinery from Rock Island through Noyes to a point in Manitoba, Saskatchewan, Alberta or the interior of British Columbia?

A. No.

Q. Where did you get that information? What you say is precisely my understanding, but I wanted you to expand on it. Can you tell us something more about it?

A. No, that is my understanding.

Q. We will be putting something in later, but I thought the witness knew something about it.

MR. O'DONNELL: Q. At the top of page 4, Mr. Wilton, your brief speaks of the higher average level of freight rates in the West. What evidence have you in support of that statement? What is the basis of that statement?

A. What page is that?

Q. The top of page 4, Mr. Wilton.

THE CHAIRMAN: The relatively higher costs.

MR. O'DONNELL: Q. Yes, the higher average level of freight rates.

A. I believe the Manitoba government is bringing in supporting evidence about it.

Q. So you personally know nothing about that?

A. No.

Q. I take it that, in so far as you know, your federation relies solely on what may be brought by the Manitoba government in support of that allegation. Is that correct?

A. No.

Q. Well, if it is not correct, what evidence have you in support of the statement?

A. I believe that was submitted, was it not, in the 30 per cent freight rate hearings.

Q. There were a lot of things submitted in that. I was asking if you would tell the Board what evidence your federation, that is the Manitoba Federation of Agriculture and Co-Operation has in support of that

MR. SHEPARD: The Commission might like to have a reference to exhibit 326 in the 30 per cent case.

THE CHAIRMAN: Exhibit 326 in which case?

MR. SHEPARD: The 30 per cent case.

THE CHAIRMAN: Does that contain the admission that Mr. Wilton refers to?

MR. SHEPARD: Yes. That is an exhibit that was filed as part of the Manitoba case.

THE CHAIRMAN: What does it show?

MR. SHEPARD: It shows a differential in the general level of rates eastward of 14 per cent.

MR. O'DONNELL: That was highly contested and not accepted by the railway or by the Board.

THE CHAIRMAN: Was it accepted by the Board?

MR. O'DONNELL: Not in the initial instance; in so far as the Board's original judgment in the 21 per cent case is presently under review, Mr. Shepard is right in pointing out that the matter might still be lis pendens. But that exhibit 326, which was prepared by a witness on behalf of the Manitoba Government, was very scrupulously criticized by the railway experts who advised in connection with it, and in my respectful submission the Commission, upon examination, could readily come to the conclusion that it was not altogether exactly what it is suggested that it represents.

THE CHAIRMAN: We are to hear more about it then,

MR. O'DONNELL: I assume that we will, Mr. Chairman.

MR. CHAIRMAN: And Mr. Wilton relies on that exhibit.

THE WITNESS: Yes.

MR. O'DONNELL: Q. Other than that, you have no

information of your own knowledge?

A. No.

Q. That satisfies me. And at the bottom of page 4 of your brief there is a reference to "unsupervised manipulation of the rate structure." What do you mean by that?

THE CHAIRMAN: Where is that?

MR. O'DONNELL: At the bottom of page 4, the last line in the penultimate paragraph, the third line from the bottom.

THE CHAIRMAN: Oh yes, unsupervised.

MR. O'DONNELL: Q. Unsupervised manipulation of the rate structure. What had the Manitoba Federation of Agriculture in mind when it incorporated those words in its brief?

A. It is our understanding that the railways may adjust rates so long as they are below the class rate for the particular item.

Q. Then the objection rests on matters of that kind?

A. Yes.

Q. And you are aware, I take it, that anyone, any shipper, or anyone, who feels that such a rate is adverse to his interests may appeal to the Board for a review of the rate?

A. Yes.

Q. On the basis of any discrimination, unjust discrimination?

A. Yes.

Q. And you know that the provisions for complaint

to the Board is relatively simple. I heard Chief Commissioner Cross say that you merely had to write a letter to the Board to draw its attention to your complaint and it would be given study. Are you not aware of that type of procedure? And when I say "you", I mean your Federation?

A. Yes.

Q. You do know of that type of procedure?

A. Yes.

Q. Do you suggest that it is inadequate, that a simple procedure of that kind would not be sufficient for the purpose of reviewing any situation which might be adverse to any given shipper.

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A. If it was used it would be ---

Q. Well, it is there to be used, isn't it? We can agree on that?

A. Yes.

Q. And if anyone wants to use it is very simple to put machinery into motion?

A. Yes.

Q. Well, now, have you any other suggestions which you would like to put forward to the Commission as additional opportunity for review or for adjustment of any complaint which a shipper might have or an interested party might have?

A. No, I have no other.

Q. Then in your view could we agree that the present provisions in the Act, the Railway Act, are adequate for the purpose of taking care of these complaints of the nature that you have in mind?

A. No, I don't think I can say that.

THE CHAIRMAN: The complaint is that the machinery of dealing with these rates is unsupervised.

MR. O'DONNELL: Yes, my lord; and I suggested to the witness that any shipper or any interested party who had a justifiable complaint on the ground that he was being unjustly discriminated against has his right of appeal to the Board of Transport Commissioners.

THE CHAIRMAN: How does he find out that he is being discriminated against

MR. O'DONNELL: I think he soon finds out if he is competing. I understand that these business people have

their ears pretty close to the ground, and if they are losing business to a competitor who has a better rate they soon find out. That is in practice, as I understand it, what happens.

THE CHAIRMAN: Well, is any notice given to him or to the public of the change in rates?

MR. O'DONNELL: Yes.

THE CHAIRMAN: And do the rights become effective without an order of the Board, or are they effective subject to being interfered with by ---

MR. O'DONNELL: They may be posted and put into effect, and then if they wish to complain they can complain.

THE CHAIRMAN: And the Board may adjust it.

MR. O'DONNELL: Yes, my lord, and I think the Railway Act has a very complete ---

THE CHAIRMAN: That applies only, though, to reductions of rates.

MR. O'DONNELL: Yes.

THE CHAIRMAN: And those are what you call usually competitive rates.

MR. O'DONNELL: Anything under the standard rate, the ceiling rate which is fixed. If through an adjustment of that kind and through, as I understand it, the ---

THE CHAIRMAN: What is the section of the Act that deals with competitive rates?

MR. O'DONNELL: Section 332, my lord, among others. There are a number of them, but that one is the one, I think; it reads:

"Competitive tariffs shall be filed by the company with the Board and every such tariff shall specify the date of the issue thereof and the date

on which it is intended to take effect: provided that where it may be necessary to meet the exigencies of competition, or as the Board may deem expedient, the Board may make rules and regulations governing the filing or publication of such tariffs, and may provide that any such tariffs may be acted upon and put in operation immediately upon the issue thereof by the company, before they have been filed with the Board, or may in any case make a special order or direction allowing any such tariff to go into effect as the Board shall appoint."

But, on the other hand, if anyone has any complaints and wants those put into effect, it can be reviewed, and if there is unjust discrimination it can be adjusted.

Then further, my lord, Section 342, the provision concerning the posting of tariffs. These tariffs must all be kept on file in a convenient place, open for the inspection of the public during office hours, a copy of each of its tariffs at the following places respectively:--

"(c) Competitive tariffs, at each freight station or office of the company where goods are to be received and delivered thereunder;".

There are a number of other provisions in the Act, and I respectively suggest that the Commission on study of the Railway Act will find that there is, in my respectful submission, ample provision to allow anyone who has a justifiable complaint to obtain redress.

COMMISSIONER INNIS: As a matter of opinion, what does it cost to make a complaint?

MR. O'DONNELL: Nothing at all; the mere mailing of a letter, Dr. Innis.

COMMISSIONER INNIS: That is to say, it will be taken up by the Board simply on the presentation of a letter?

MR. O'DONNELL: That is the way they proceed. It is very informal; they have no pleadings; it is done really by an exchange of letters or an exchange of correspondence of that kind, a simple letter. I heard Chief Commissioner Cross indicate to someone on one of the regional hearings we were on that if they merely addressed a postcard to the Board its attention would be directed to the complaint, and if the complaint were found to be justifiable or even required further inquiry, the Board would notify the parties interested, fix a date for hearing, advise the complainant and the others and inquire into it.

COMMISSIONER INNIS: Would a shipper be at a disadvantage if he were not able to provide counsel

MR. O'DONNELL: No, because the Board goes on circuit right across the country, and it sits from Halifax to Vancouver at convenient places, and whether the complainant has counsel or not, in my respectful view, from what I know of the machinery and the workings of the Board, will not prejudice the complainant at all; the Board will see that fair play is given, and its experts, its traffic officers, its tariff experts and all its machinery are available to anyone who chooses to draw to its attention that a justifiable complaint exists.

COMMISSIONER INNIS: There seemed to be some evidence this afternoon, not only in this brief but in

earlier briefs, that the information is not as freely available as is generally wished.

MR. O'DONNELL: Well, I think, Dr. Innis, that a certain amount of misapprehension may exist, but from what I know that is the way the Board works, and I think Mr. Knowles can give the Commission many, many instances of specific cases as to its being operated in a very informal way and very readily available to anyone.

MR. EVANS: May I add one thing?

THE CHAIRMAN: Certainly.

MR. EVANS: It is a rather important one, I think, sir; that is, that the Board, although it has power to do so, never awards costs against a losing complainant. There has never been a case in my experience, and I do not think there has ever been a case where the Board has required a complainant either to put up security for costs or to pay costs in the event that his complaint is not successful.

COMMISSIONER ANGUS: What is the delay involved or the time interval between making the complaint and having the regional hearing?

MR. O'DONNELL: The Board has certain rules and regulations, but there is no lengthy delay. Insofar as the Board is able to keep abreast of its business it does so. I would think, though, that in the last year and a half or two years,when it has had general rate increase cases before it, a certain amount of delay may have occurred; however, I do not think there is any lengthy delay, and the Board can in cases suspend a rate subject to reviewing it later on, and it has done that in several instances even during the pendency of these rate cases. For instance, the railways tried to

raise the competitive rates so soon as there was no longer any objection legally to their doing so, during the hearings in the rate cases, and,upon objection by the very people who suggested initially that those competitive rates should be raised, they were suspended. There is no lengthy delay, I think.

(Page 202 follows)

Q. Now, you have no other suggestion with respect to what might be done to remedy this so-called unsupervised monopoly of the rate structure?

A We have not felt that the Board of Transport Commissioners has always acted possibly as quickly as it might or has acted at all in some complaints, and I should like to point out also that we are not always instructed when rate changes are made. The machinery rate is an example. There is also one other question that crops up in my mind. The consumer of that machinery, the man who buys it, is not in a position to know whether or not he is being discriminated against, and he is the very man that should make the complaint. The implement dealer will simply say that freight rates have gone up 20 per cent, and this is what you pay, and he can like it or leave it.

And sometimes that is done even though the amount of the increase is considerably in excess of the actual freight increase. Have you ever found that to be the fact?

A I cannot say so.

Q Before we leave that point, have you any instance of the Board not having acted upon a complaint when drawn to its attention? We would not want to leave the broad statement that you made that the Board had not acted in certain instances.

A I cannot think of any specific instance at the present time, but that is the feeling of the farmers.

Q That is the feeling, but you have no instances for the purposes of the record?

A No.

Q At page 4, Mr. Wilton, in the third paragraph you say:

"We are not suggesting that all geographic disadvantages should be equalized by adjusting the freight rate structure. What we do suggest is that the west should not be further penalized by higher freight rates than those in effect in areas with which the west is competing."

Do you see those words?

A Yes.

Q Can we agree that the Canadian west competes with the American farmer in the world market concerning wheat?

THE CHAIRMAN: You are trying to arrive at a definition of those words, "areas with which the west is competing." That is your idea?

MR. O'DONNELL: Yes, Mr. Chairman.

Q In other words, the western farmer sells his wheat against the American farmer's wheat, does he not?

A We were not referring specifically to wheat in that instance. It was more the eastern market such as eggs, poultry and meats.

Q I am putting it on the basis that it can be enlarged to include what I am suggesting to you. We will agree that in the west wheat is a very important commodity, and that the western Canadian farmer competes with the American farmer concerning the sale of wheat?

THE CHAIRMAN: Are we comparing now freight rates in the United States as against freight rates in Canada?

MR. O'DONNELL: In so far as there is a market for wheat, and we heard this morning of the Australian

producer.

THE CHAIRMAN: That was the geographical location, distance and water, but I thought when I heard this read that what the federation had in mind was rather areas within Canada - "that the west should not be further penalized by higher freight rates than those in effect in areas with which the west is competing." I thought that meant areas within the country because the reference is to freight rates, you see. Otherwise you are led to an examination of freight rates in Argentina, freight rates in Australia, freight rates in the United States. I do not think that is what was meant.

MR. O'DONNELL: Possibly I may have hit upon one --

THE CHAIRMAN: Q. Can you clear that up?

A Yes, sir.

Q It is the question of freight rates.

A The question we are referring to here is simply that we are competing with the farmers around Toronto, let us say, whose market is within forty or fifty miles, whereas we have to compete against those farmers in getting our product on that market.

Q On the same market as his?

A Yes.

Q That is a market in Canada?

A That is right.

MR. O'DONNELL: Let us go back to pages 11 and 12. On page 12 you refer to grain rates in western Canada. You say:

"(e) the grain rates in western Canada can only be appraised by considering the actual costs of hauling

grain; and that the present grain rates are fully justified both from the point of costs and the economic well-being of Canada as a whole."

In paragraph (b) you state:

"The Manitoba farmer, as a result of geography, is at a competitive disadvantage with farmers who live more or less within their markets."

What is the market for grain, which is one of the principle products of western Canada, and does that not compete with the grain shipped from the American west? All I am coming to, Mr. Wilton, is that there is a tariff covering shipments from Winnipeg to Fort William, which is 419 miles, shipments of wheat in carload lots at a rate of 14 cents, and from York, North Dakota, just across the line, to Duluth, which is likewise not so far across the line, the rate for 420.2 miles is 33.8 cents. From York, North Dakota to St. Paul - Minneapolis, which is 420.8 miles, the rate is 33.8 cents. There are a number of further instances such as from Brandon to Fort William. That is 552.2 miles, and the rate is 16 cents. From Stanley, North Dakota it is 555.8 miles and the rate is 39.52 cents. From Northgate, North Dakota, to St. Paul, it is 553 miles and the rate is 39.52 cents. What I am getting at is that it is difficult for me to understand how your federation can suggest that the west is being penalized by higher freight rates by the Canadian railways, and I assume particularly with respect to the shipment of wheat, where you have that advantage over your competitor just across the line. I can give you a few more examples. For instance, Calgary, Alberta, is 1,,242 miles from Fort

William. The rate is 26 cents. From Eureka, Montana --

THE CHAIRMAN: I am not aware yet that any dissatisfaction is being expressed by the shippers of grain with the present rates in Canada. Do you find that there is any such dissatisfaction?

MR. O'DONNELL: I find the inference on page 4, Mr. Chairman, that they are penalized by higher freight rates than those in effect in areas with which the west is competing. My respectful submission is that the west is competing as to grain with the farmer just across the line in the same market, and that the rates upon which the grain of the Canadian farmer moves to the Atlantic seaboard, or on the way to it, are much less than those of his competitor immediately across the line, and that therefore there is no penalty. I find that the inference that is set out in the brief is unwarranted. That is all I am endeavouring to point out.

THE WITNESS: We had no intention of making a comparison with the American farmers across the line. It is simply the Canadian economy as we saw it.

THE CHAIRMAN: You have not in mind the shipment of grain to foreign markets in that reference?

THE WITNESS: No.

THE CHAIRMAN: In this instance; that is right, is it not?

THE WITNESS: That is right.

THE CHAIRMAN: That is what I thought.

Page 208 follows

I think that rather narrows the objection, the area of the objection.

MR. O'DONNELL: Q. Yes. Well, on the example you gave I submit that, in so far as the wheat end of it is shown, your rate is considerably lower than that of your competitor; but on the rate which you gave, is it your suggestion that you should be permitted to compete with a farmer 50 miles out of Toronto, or anything of that kind?

A. Well, as I see it.

Q. Will you answer my question, please.

A. It is simply that with the higher rates in the West, we accept our geographical disadvantages; but the higher rates in the West do add a burden.

Q. And that is all you have to say with respect to that?

A. Yes, sir.

Q. And we have gone into the question of the higher rates, and on that you rely, in support of your suggestion that there are higher rates, on the evidence to be made by the Province of Manitoba?

A. Yes.

Q. Well, let us turn to another thing. In the reference you make at page 10 of your brief, the second from the last paragraph, you say:

"In this connection the railways have agreed to another arrangement, which, in our opinion, is opposed to the best interests of rural Manitoba. That is the matter of mixing privileges."

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I think my learned friend, Mr. Frawley, asked you if your Federation had ever made any application to the Board of Transport Commissioners concerning that matter.

MR. FRAWLEY: I asked him: "To the railways".

MR. O'DONNELL: Oh. To the railways. Well, I ask you if you know if any application has been made to the Board of Transport Commissioners for the incorporation of that privilege in the classification rules.

A. No.

Q. Why haven't you, if that is a source of complaint; and I take it that is what you suggest it is; that mixing rule which has been in effect for many many years, has it not?

A. Yes.

Q. In fact, I think the history of it goes back as far as 1893. Have you followed it through?

A. No.

Q. Has the Federation made any study of the basis of this rule?

A. Not an exhausted study.

Q. Did you go even to the extent of looking at the reports of the Board of Transport Commissioners concerning the matter?

A. I have the information that it is under consideration at the present time.

Q. Oh, I see. But through these many years, since 1893, or rather since it was last settled - I think that was about 1925; since 1925 has any application beenmade by your Federation to the Board of Transport Commissioners

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for the extension of the mixing privilege to which you make reference at page 10 of your brief?

A. No.

Q. Well, forthe information of the Commission I might indicate that that matter had been gone into by the Board of Transport Commissioners in 1925, and General Order 421 of the Board of Transport Commissioners issued on the 17th day of July, 1925, and it goes into the whole history of this matter of the mixing privilege, and that order and that case, which was the subject of the order, will be found reported in volume 15, CRC, Decisions, and it is CFA No. 1342.

THE CHAIRMAN: It is what?

MR. O'DONNELL: Volume 15, CRC Decisions, and it is CFA No. 1342. It may be more convenient if I give the Commission the other reference, and that is volume 15.

THE CHAIRMAN: I am not through with your first reference. You say: Volume 15, CRC Decisions, CFA 1342.

MR. O'DONNELL: The decisions in this series of reports are numbered consecutively but not numbered by consecutive pages; so it is CFA No. 1342.

THE CHAIRMAN: Yes.

MR. O'DONNELL: And there is another reference. The case is reported in another series of reports, Volume 15.

THE CHAIRMAN: Another volume 15?

MR. O'DONNELL: Yes, Mr. Chairman, Judgments, Orders, Regulations and Rulings, J.O.R & R. at page 177; and the portion I refer to begins at page 181.

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THE CHAIRMAN: And all this refers back to 1925, you say?

MR. O'DONNELL: Yes, Mr. Chairman, and it reviews the matter of the mixing rules. And there the Board went to the trouble of reviewing the history of it, as the Assistant Chief Commissioner, Dr. McLean, pointed out; and it says:

> "The most contentious matter submitted to the Board in the Prairie Provinces related to the rule governing different articles shipped in mixed carloads at carload rate, known as the 'mixing rule'. Consequently it appears desirable to review the history of this rule."

There are quite a number of pages in this report where the learned Assistant Chief Commissioner reviewed the matter and pointed out finally that it was something that had been discussed at considerable length and was of interest to the people in the East and in the West. The people in the East got a different arrangement because they apparently agreed to a different arrangement. The people in the West who were interested did not go on with the arrangement that was made in the East. But the matter was reviewed at that time and it has never been the subject of complaint since, in so far as I know, and in so far as the witness knows.

If I may, I will read these two closing paragraphs which put the matter clearly. The Railways have not any particular interest in this matter one way or another. The arrangement was made between the interested people and approved by the Board. The last two paragraphs read as follows:

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"The adoption of the present mixing rule in the West is, as is abundantly evidenced, an outcome of adjustment to trade conditions in the West. This has been most urgently urged by these 'trade interests.' It is not a matter in which the railways are really interested. As I understand their position, it is a matter of relative indifference to them which rule is adopted in the West. Their concern is simply adequacy of revenue. When a practice which has been in existence for years, and which was installed at the instance of the shipping public, is attacked, a special burden of proof is on those so attacking. A considerable part of what was advanced was based on misapprehension. In so far as there was specific evidence - and it was meagre - it fell far short of being conclusive.

It is not the function of the Board to tear up rate and rating adjustments regardless of the effect of such re-arrangements. Especially is it true that when rating arrangements and rules thereunder have grown up not only with the support but also as the result of the insistent demand of the great generality of the shipping public engaged in distributive merchandising, the Board should interfere not because of conjecture but because of actual proven unreasonableness or unjust discrimination. No evidence justifying such conclusions in regard to the present rule has been adduced."

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Therefore, they did not disturb it.

MR. FRAWLEY: And that is the way it remained for the last 21 years.

MR. O'DONNELL: That is the way I understand it, and I think that, as the Board then found, it was a matter of indifference to the railways, and it still is a matter of indifference to the railways, at least, it is to the Canadian National Railways, and I understand, from my learned friend Mr. Evans, that it is to the Canadian Pacific Railway. And in so far as those who are interested in it will take the initiative of having the Board review the matter and adjust it again, if it needs to be adjusted, the railways have not the slightest objection. They did not, at the time, and they do not now.

You do not possibly know that, Mr. Wilton, or your Federation cannot have known that, when it wrote that in the brief. That is possible, is it not?

A. Yes.

Page 214 follows

Q. There is just one other matter in there about which I might ask you, Mr. Wilton. At page 11 you speak of a need for a fresh approach; it is the last part of the first paragraph under the heading "Need for Fresh Approach." You say the railways have now taken to applying for blanket increases, and you say that that is a wrong method. Do you know the reason for which the blanket increases, which I assume are those applied for in the 21 per cent case and the 20 per cent case, Mr. Wilton, were made? Do you know the reasons for which those applications for general increases were made? They were made to meet rising costs of labour and materials -- is that the reason? I think we can all agree on that.

MR. SHEPARD: One reason.

MR. O'DONNELL: Well, I know of no other. The applications are written; they speak for themselves.

THE CHAIRMAN: Well, pardon me; it seems to me that "blanket increases" there is something as opposed to piecemeal increases.

MR. O'DONNELL: Yes, quite, my lord.

THE CHAIRMAN: After adjusting rates piecemeal for a long period, the railways have now taken to applying for blanket increases. What is the point you are making?

MR. O'DONNELL: I was just asking him if he knew what those blanket increases, so-called, were for. In my view they were not attempts to make any adjustment between rate and rate, as was the piecemeal adjustment to which I think the brief refers. It was an endeavour by the railways to procure revenue quickly and relief to

meet the rising costs of materials and wage increases which had occurred during the last few years. Now, they were not adjustments as between rate and rate at all, and I was merely going to ask the witness:

Q The inference there is, that is a new method of doing business, Mr. Wilton, is it not?

A. Yes, it could be.

Q. Well, I am going to suggest to you that there is nothing very new or novel about it, that it was done, percentage increases were granted to the railways in 1917, 1918, 1920, percentage reductions in 1921 and 1922; all those were instances of percentage increases,or blanket increases, as you refer to them; there is nothing new about that method, is there, as far as you know?

A. (No answer.)

Q. Well, if you have no answer to that, will you tell me what is wrong with that method, then, which is the next point that you make there -- "We suggest that both methods are wrong" -- what is wrong with doing it that way?

A. Sir, this is something beyond the realm of myself.

Q. Well, that is quite all right. I do not want to be unfair to you at all, Mr. Wilton, and if you say that you prefer to have somebody else answer with respect to that, that is quite satisfactory to me. Will your Federation have someone come forward who will tell us what is wrong with that method?

A. Mr. Shepard may have ---

MR. SHEPARD: Mr. Chairman, I think perhaps I might just explain my understanding of how this brief

was prepared. I think that Mr. McLean, who is the Executive Secretary of the Federation, who is the gentleman sitting behind Mr. Wilton now, worked with a committee which I understand included one or two other people. Mr. Wilton is an official of the Federation, and it was accordingly for that reason that he was selected to present the brief, and I know that Mr. McLean would be prepared to answer questions of a more technical nature if he is able to do so, if Mr. O'Donnell would like to direct them to him.

MR. O'DONNELL: I have not any objection, my lord, at all, and I wish to be quite fair to Mr. Wilton. If he says that is something that is not within his sphere of activity, that is quite satisfactory to me, and I will be glad to direct those few questions which I have to Mr. McLean, if the Commission chooses.

THE CHAIRMAN: All right, then.

MR. O'DONNELL: Before Mr. Wilton leaves us, my friend Mr. Sinclair has some questions to ask.

THE CHAIRMAN: Well, we will hear Mr. McLean now.

J. T. McLEAN, called

EXAMINED BY MR. O'DONNELL:

Q. What is your position with the Federation, Mr. McLean?

A. Mr. Chairman, I am Executive Secretary of the Manitoba Federation of Agriculture and Co-operation.

Mr. Chairman, I would also like to point out that I do not pose as a freight-rate expert, but, as we

point out in the beginning of our brief, our organization is primarily concerned as an educational body and informational organization; we endeavour to obtain accurate information and pass it back to our membership, and in the doing obtain the accurate opinion of farm people and interpret it as much as possible to the best of our ability.

MR. O'DONNELL: Q. That is a very worthy endeavour. Now, can you tell the Commission, Mr. McLean, is it not a fair inference from the statement in paragraph No. 10 that the railways have just recently taken to applying for blanket increases; is there not a suggestion there that this is something novel, something new, and is it not a fact that it is a practice that has been followed through many years?

A. Well, the opinion of the committee that prepared this brief was that the idea of applying blanket increases as referred to here was more or less novel in recent dates.

Q. Well, did the Committee know that in 1917 or 1918 that had been done, and also in 1920, by the Canadian railways?

A. Well, it was not discussed what you might call around when the committee were discussing it.

Q. Did the committee know that the Government of Canada itself had put in a blanket increase in 1918, if my date is correct?

A. That was not referred to either.

Q. And did the committee know that blanket reductions were put into effect by the Board of Transport Commissioners in 1921 and 1922?

A. When we were speaking of blanket increases we were referring particularly to the 30 per cent application and the 21 per cent application.

Q. That is what I gathered; but can we agree that those two applications were not primarily for the purpose of making adjustments as between rate and rate, that is, piecemeal adjustments such as those to which you refer a few lines earlier in the brief?

A. Yes, possibly.

Q. And that those applications were for the express purpose of obtaining revenue or moneys to meet increased costs of operation which had occurred since the war -- that is, railway operations?

A. That would be one of the purposes.

Q. And are you not also aware that similar increases or similar methods of procuring moneys to offset increased costs of operation were followed by the United States roads? That is, blanket increases were put into effect subject to certain exceptions in certain cases -- my friends will undoubtedly say that -- but otherwise the blanket increases were resorted to as being a most practical way of handling a situation which was, in the view of the railways, urgent, and the fairest way to spread the increase over all the shippers in the country?

(Page 220 follows)

A You wish me to answer that, do you?

Q Well, if you understood it.

A Would you repeat the question?

Q Would the reporter read it, please?

MR. SHEPARD: I think the witness might be justified in thinking that he was hearing argument instead of a question.

MR. O'DONNELL: He is an expert who has come forward to be examined in lieu of the man who started to talk. I am trying to find out what consideration has been given to the matter which is found in the brief.

THE WITNESS: The first point that the committee considered when preparing the brief was the recent increases of 30 per cent and 21 per cent. That is what we meant when we referred to blanket increases.

Mr. O'DONNELL:

Q I am in agreement with you.

A But in regard to going back and doing research work and finding out the blanket increases in the past in Canada and the United States, we did not have the time nor the facilities available to do it.

Q What I am attempting to refute is the inference that it was novel and had never been done before and was an unheard of thing. That is the way I read the brief.

THE CHAIRMAN: Now we are told that it had not been done for a long time.

THE WITNESS: That was your attitude.

THE CHAIRMAN: That is about all we can take from that.

MR. O'DONNELL: That is right. Are you aware, Mr. McLean, that that objection concerning blanket increases was discussed at considerable length in both

the 21 per cent increase case and the 20 per cent increase case. The Commission will find that reported in the judgment of the Board, to be found in 38 J.O.R.R. at page 65. There you will see the finding of the Chief Commissioner concerning the objections which were advanced by those complaining about blanket increases. At the top of page 65 the Chief Commissioner said this:

> "Strong exception was taken by the respondents to the granting of a straight percentage increase in freight rates. But, as I view the matter, this is the only workable and practical method of dealing with the question in order to provide the additional revenue required by the railways."

Further down the page there is this passage:

> "While there are a number of individual cases where discrimination in rates is alleged to exist and it may be that some of these require special and separate consideration on another occasion. But they do not seem to be so outstanding as to require separate treatment in a case of this nature."

He makes reference to the mountain differential and then goes on:

> "Upon consideration of the whole situation I think that, in this case, the general increase in freight rates should apply equally throughout the country."

Has your federation any suggestions which might be put forward to the Board as an alternative in order that the railways might have increases in the future when it becomes

necessary for them to make an application for increases in revenue to meet situations such as those which were contemplated in the 21 per cent and the 20 per cent cases?

A Well, the only answer I can give to that would be the provision we have already made in our brief, that it is our view that an entirely new approach to the problem of transport and transport costs is badly needed. Going on to another section here referring to the Board of Transport Commissioners, the point is that in our opinion - I should like to get the exact section.

Q All right.

A We say in the third paragraph on page 7, speaking about regional differentials in rates, that consideration should be given to limiting the effects of competition by regulation or other means. Then, following along from that, and answering your question, I state that possibly the powers of the Board of Transport Commissioners might be enlarged.

Q Let us go back to page 11, and to the last line in the first paragraph of section 10 where you say:

"We suggest that both methods are wrong."

If you can I should like you to indicate how the blanket increase method is wrong, and if you have any alternative suggestion to make I am sure that the Commission would be glad to have it.

A As I interpret that sentence, the thinking behind it at the time was that the powers of the Board of Transport Commissioners should be enlarged.

THE CHAIRMAN: Q. What did you say, that the powers of the Board should be enlarged?

A Increased, put it that way.

Q What would they do then? You are opposed both to the piecemeal method and the blanket method. What would be the new method?

A I think it is up to the Board of Transport Commissioners to work out a method. Actually we are not in a position to say what the Board should do or not do, but we have confidence that a properly constituted Board with proper powers would be able to arrive at a solution.

MR. O'DONNELL: Q. All I am trying to get at is how the method is wrong. Did your committee look into the powers of the Transport Board when they were preparing this brief and writing these words?

A To a limited extent.

Q Did you go to the extent of looking at the Supreme Court case of the government of Alberta versus the Canadian National Railways which is reported in 1931 Supreme Court Reports at page 656?

THE CHAIRMAN: What volume did you say?

MR. O'DONNELL: 1931 Supreme Court Reports, page 656, and particularly the remarks of the now Chief Justice Rinfret at page 668, where the Supreme Court held that the powers of the Transport Commissioners were of the most sweeping character, and that in connection with the 21 per cent case they had all the powers that were necessary to deal with the application which was put before the Board.

THE WITNESS: I also understand that in Book No. 2 of the Rowell-Sirois report on dominion-provincial relations that it is stated that the Board of Transport Commissioners, although it did have sweeping powers under

the Railway Act, was reluctant to take unto itself that power.

MR. O'DONNELL: Q. They were not reluctant in the 21 per cent case and the 20 per cent case. They took that power notwithstanding the serious opposition of all the provinces, and the Supreme Court confirmed their power because on application to the Supreme Court Mr. Justice Kerwin refused to allow themto appeal, and said that the Board had ample power to hear the matter of these general increase cases. That is why I am asking you to tell the Commission if your Federation has any other views on the matter, why the method adopted was wrong, and what you would submit in substitution for that method?

A Our attitude is that in the past the Board of Transport Commissioners has not taken unto themselves that power, although they may have in this case.

Q In those two cases.

A It is a recent development, is it not?

Q It is a development that happened about two years before you wrote your brief.

A The point is that we are not convinced in our own minds that the Board of Transport Commissioners, as they are presently constituted, are prepared to continue on with those powers.

Q I suppose we will have to wait until we present another case to them to find whether they will act, but they certainly acted in those two cases.

A There are possible exceptions, though.

Q Has your Federation any suggestion to make as to how the powers of the Board of Transport Commissioners

should be enlarged in connection with increases of the kind you refer to in paragraph 10 on page 11 of your brief?

A As I stated previously we take the attitude that the Board's powers should be increased to handle these matters adequately, but at the same time we are quite willing to admit that we more or less have attitudes and opinions on these things, and we have confidence that the Royal Commission on Transportation will possibly be able to make recommendations.

Q Then we will get that down to this, that you have no representations to make - when I say "you" I mean your Federation - with respect to enlarging the powers of the Board of Transport Commissioners?

A We think possibly they could be increased, but as to specifically how it should be done I think that should be left to the experts.

THE CHAIRMAN: Mr. O'Donnell, while we are analyzing this brief, would you clear up for me a point that is raised at the bottom of page 9 under the heading of "Transportation and Tariffs." You see that the Federation complains that it is compelled to buy this machinery from industries in Ontario and Quebec by virtue of the customs tariff in the first place, and then secondly they say in the last line:

> "It is also our understanding that freight rates on farm machinery from the United States are higher after entering Canada than on the same goods originating in Canada and hauled an equal distance."

MR. O'DONNELL: With your permission, I will leave that to Mr. Sinclair. He is more familiar with the matter.

THE CHAIRMAN: I want to make sure it is cleared up.

MR. SINCLAIR: If I could answer that question now, Mr. Chairman, I think the example that was given by the Federation was a shipment from Winnipeg to Regina of farm machinery against a shipment in the United States. The one in Canada was moving at a distributing rate, and the one in the United States was moving at a class rate.

THE CHAIRMAN: You mean the one from the United States?

MR. SINCLAIR: No, Mr. Chairman, he was taking an equal mileage in the United States.

THE CHAIRMAN: No. As I understood it; here is a piece of machinery coming from Noyes, for instance, to a point in Alberta or Saskatchewan. On that portion of the transportation of that machinery which lies in Canada, the statement is that it pays a higher freight rate than if it originated in Canada. Is that right?

MR. SINCLAIR: The reason for that is as follows.

THE CHAIRMAN: I meant, is that a fact?

MR. SINCLAIR: Yes, it may be, but the explanation, Mr. Chairman, is that the shipment from Noyes to the border moves on a fifth class standard rate, while the shipment from Winnipeg moves at a fifth distributing rate. There is one thing which I think may be of interest to your Commission, Mr. Chairman, and that is in regard to farm machinery.

Right today we will take a large manufacturing area in the United States, let us say around the Chicago area. Shipments are made from Chicago to Windsor, and from Windsor all the way through Canada to places like

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Brandon, Regina, Saskatoon, Swift Current, Calgary, and Edmonton; and they are cheaper than if they came direct from Chicago to those destinations that I mentioned.

The reason for that is that the low Canadian rate on farm machinery was first put in many years ago to meet the competition from the American centres. Now, in the meantime, the American rates had gone up, and these special rates - the railways tried to raise them and they were objected to. But even if they had been allowed to raise them to the amount that the railways had asked, it would still have been cheaper to move farm machinery from points like Hamilton.

THE CHAIRMAN. Like where?

MR. SINCLAIR: Hamilton, Ontario to, let us say, Regina, than it would have been to move from Chicago to Regina or from any comparable distance in the United States. That is the explanation of the farm machinery.

THE CHAIRMAN: I know. But does that answer the question? I do not think it does. The question is this: Here is farm machinery which is purchased in the United States. I suppose some of it still is.

MR. SINCLAIR: Yes, a small percentage of it.

THE CHAIRMAN: And it is going to a point in Alberta, Saskatchewan or Manitoba. The understanding that these people have, according totheir brief, is that when that machinery crosses the border and comes into Canada from that point on it pays a higher rate of freight than it would pay if it were bought in Canada. Is that the case? Is that right?

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MR. SINCLAIR: It may very well be, Mr. Chairman.

THE CHAIRMAN: Then why?

MR. SINCLAIR: Let us take a rate moving from Hamilton to Regina. The rate in Manitoba would be lower than the local rate from Emerson to Winnipeg. That is only natural. It is the combination of on and off the border on this American thing, and it is the standard rates that apply. They are not local rates that apply. The rate is a combination of on and off the border, not a through rate.

THE CHAIRMAN: I do not feel that we have finished with this, but as the hour is so far advanced - it is after 6 o'clock - we shall adjourn now until tomorrow morning.

MR. FRAWLEY: Mr. Sinclair undertook to explain to you, Mr. Chairman, the very question which I raised in my examination of Mr. Wilton. With respect I would like him to explain the makeup of the rate from American points of origin such as Rock Island, Illinois, to Winnipeg, Regina, and Calgary; and why it is that when a shipment of farm machinery reaches the border at Noyes, it then takes the highest possible rate, the standard mileage class rate, as it moves from the border. That is the question which you, Mr. Chairman, put to Mr. Sinclair. Perhaps he did not understand it, but I suggest that he can inform himself and explain it.

THE CHAIRMAN: We shall expect to hear more about it tomorrow morning.

. . . At 6;05 p.m. the Commission adjourned to meet again tomorrow, at 10:30 a.m. Thursday, June 2, 1949.

A.R.

ROYAL COMMISSION
ON
TRANSPORTATION

EVIDENCE HEARD ON

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VOLUME

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ROYAL COMMISSION ON TRANSPORTATION

Winnipeg, Man.
Thursday, June 2,1949

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ROYAL COMMISSION ON TRANSPORTATION

WINNIPEG, MANITOBA.
Thursday, June 2/49

HON. W. F. A. TURGEON, K.C., LL.D.	Chairman
HAROLD ADAMS INNIS	Commissioner
HENRY FORBES ANGUS	Commissioner

- - - -

G. R. Hunter Secretary.	P. L. Belcourt, Asst. Secretary

- - - -

ADDITIONAL APPEARANCES:

M. A. MacPherson, K.C.,	Counsel for the Province of Saskatchewan

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THE CHAIRMAN: I believe that Mr. Sinclair was to say something this morning.

MR. SINCLAIR: Mr. Chairman, when we adjourned last evening we were dealing with the matter that is raised in the brief of the Manitoba Federation of Agriculture and Co-operation at the bottom of page 9 and at the top of page 10 where it is said:

> "It is also our understanding that freight rates on farm machinery from the United States are higher after entering Canada than on the same goods originating in Canada and hauled an equal distance."

I was asked for an explanation for that. The reason for that is that farm machinery from Winnipeg moves at the sixth class distributing rate.

THE CHAIRMAN: What do you call it?

MR. SINCLAIR: Sixth class distributing rate. Farm machinery moving from Emerson or Noyes, which are border points, moves at the sixth class standard mileage rate, Winnipeg being a distributing centre, and Noyes and Emerson not being distributing centres. It will be of interest to you to know that even taking the sixth class standard mileage rate from the border point that is less - and I would say substantially less - than the rates on which farm machinery moves south of the border.

THE CHAIRMAN: In the United States.

MR. SINCLAIR: In the United States.

THE CHAIRMAN: That may be true, but I think the immediate question is a comparison of rates within Canada on goods originating in Canada and moving west, and on goods originating in the United States and moving to

Western Canada.

MR. SINCLAIR: Quite so. The reason why I make reference to the United States is that in dealing with farm machinery the Canadian rate has a historical connection with the American rate. As I mentioned yesterday the low Canadian rate from the East was put in - possibly I did not say this as clearly as I should have - at the request of the Dominion Government so that the longer mileages in Canada from the manufacturing centres, Toronto and Hamilton, to the west for farm machinery would not carry a higher freight rate than was applicable on the shorter mileages for farm machinery from the Chicago area to western points. That situation has changed. The American rates have gone up, and it was the view of the Canadian railways that they should bring their rates from the East up to the sixth class, and that was the application to which the Premier referred yesterday. That was suspended on the protest of the Canadian Manufacturers Association. That rate is now lower, and if the proposed rate had gone into effect it would still have been lower than the rate from Chicago to the western points.

There is one other point that I think I should mention. Rates from non-distributing points are all the same in the West.

THE CHAIRMAN: Pardon me; rates from where?

MR. SINCLAIR: Non-distributing points. Standard class mileage rates are the same from all distributing points in the West. It just does not apply from a border point only, as the inference might be drawn from what has been said. I understand that in understanding this brief I am to have the assistance of Mr. McLean because Mr.

Wilton found that he was not able to return this morning. I have a few questions that I should like to ask Mr. McLean to help me with so as to enable me to have a clear understanding of the brief.

J. T. McLEAN, Recalled

MR. SINCLAIR: Q. Mr. McLean, I believe Mr. Wilton stated when he was answering questions put to him by Mr. O'Donnell, that you were one of the committee who drew up this brief?

A. That is correct.

Q Would you mind telling me who else were on the committee?

A We had a committee of three, our president, another gentleman by the name of W. J. Landrith, who is secretary of the Canadian Poultry Wholesalers, and a former executive secretary of the organization, and myself.

Q And you were the rate expert?

A As I stated previously when I took the stand, I do not pose as a rate expert. As we stated at the beginning of our brief we have not the facilities or personnel available to make an exhaustive study of the whole freight rate picture. This brief states our attitude and our opinions as to these various freight problems.

Q Quite so, but you were the man - tell me if you agree - who was really the rate advisor as much as you could be? You were trying to help them in that regard?

A I do not consider myself a rate advisor, as I stated previously, but I was more or less responsible for

the final draft, you might call it, of this submission.

Q Have you ever considered the sections of the Railway Act of Canada dealing with freight rates?

A I obtained copies of the Railway Act and ran through them very briefly, but when preparing the brief I did not refer specifically to specific sections.

Q Did you remember the sections of the Act from 328 to 332?

A No.

Q Which deal with freight tariffs?

A No.

Q Well, you know that there are three general classifications of freight tariffs. There are the standard freight tariffs, special freight tariffs and competitive tariffs. You knew that?

A Yes, that is the understanding I have.

Q And you knew that the standard freight tariffs were all approved by the Board of Transport Commissioners before they became effective?

A Yes, I understand the Board of Transport Commissioners has jurisdiction over standard rate classes.

Q And you also knew that the special freight tariffs and competitive tariffs were filed by the railways and became effective subject to the right of anyone affected to take objection?

A Well, now, there is a little bit of difficulty there.

Q You did not understand that?

A Here is a situation which, if I may be permitted, I should like to point out at the present time. As we

state in our brief here, the point we wish to make in regard to this is that in Canada we understand, as the gentleman has stated, that you have special distributive rates out of centres such as Winnipeg which are 15 per cent less than the standard class rate, so to speak. When farm machinery enters Canada from the United States it comes to the United States border at regular United States rates.

Q Which you know are higher than Canadian rates?

A Then when it enters Canada it starts all over again at the sixth class standard mileage rate, as you stated.

Q Quite so.

A All of which we contend is paid by the Canadian farmer.

Q Would you have the American rate apply right through?

A Pardon?

Q Do you suggest that the American rate should apply right through?

A No, I am not suggesting that, but I am pointing out at the present time the Canadian farmer pays the United States rate and the sixth class standard mileage rate in Canada on machinery entering Canada whereas machinery in Canada travels at this special distributive rate.

Q Did you not know that from Chicago they moved that farm machinery all the way to Windsor, Ontario and then up into Canada and out to the West so that it would get the cheaper Canadian mileage even though it was a longer distance? Did you not know that?

A It is our opinion that a movement as important as this should be at a rate lower than the present arrangement.

THE CHAIRMAN: Q. Should be what?

A At a rate lower than the present arrangement.

MR. SINCLAIR: Q. You know, of course, that the Canadian railways have no power over rates charged in the United States?

A Well, that is obvious in my own mind, but the point is - take last December and let us refer to the proposed increase on farm machinery rates. First of all I would like to point out that the Manitoba Federation of griculture and Co-operation has only been advised in one instance when these special rates would be increased, and that was in the case of purebred livestock for breeding purposes. We were advised by our national office who in turn were advised by the Canadian Freight Association. Dealing specifically with farm machinery, we heard by contacts that we have, and we heard at a late date, that the special rates on farm machinery were coming off and there was to be an increase. The point is that we contacted by telephone the Canadian Freight Association in Winnipeg, and we were advised at that time that the Board of Transport Commissioners did not have any jurisdiction over the increase because it was a special competitive rate.

Q Just a minute. Are you quoting when you say they had no jurisdiction or are you just paraphrasing?

A I am repeating as accurately as I can the telephone conversation that I had.

Q But you are not saying that they said that the

Board had no jurisdiction?

A I am not stating that, but I say I am quoting it. It was my impression, and the impression was left with me in a telephone conversation that the Board of Transport Commissioners had no jurisdiction over them.

Q Did they not tell you that we had power under the Railway Act to raise the rate subject to objection?

A The point here is --

Q Just a minute; would you mind answering that?

A Yes. It is my understanding, as has been pointed out, that you can protest to the Board of Transport Commissioners. That was done in this case through our Canadian Federation of Agriculture, and as you know the proposed increase was later suspended.

THE CHAIRMAN: Is it still suspended?

MR. SINCLAIR: Yes.

THE WITNESS: It is my understanding it is.

MR. SINCLAIR: I think the Board has given notice to the various parties interested. It has written them a letter asking them what date would be convenient for them to hold hearings throughout the West. It has asked them for expressions of opinion about it.

Q Have you got a representative in Ottawa?

A Well, we are a provincial affiliate, as we point out in the beginning of our brief, of the Canadian Federation of Agriculture.

Q And they have a representative in Ottawa?

A They have an office located in Ottawa, but the point here is that it is our opinion that it should be abundantly clear and understood by all that the Board has

complete jurisdiction over such matters, and it is our opinion that possibly this Royal Commission should make such a recommendation so that it is understood by everyone.

Q Mr. McLean, let me ask you one question. Section 331 (3) of the Railway Act provides that where a special freight tariff is being raised and objection is taken that the onus - that is the burden of proving that it is necessary or justifiable, shall we say - is on the railways. You knew that?

A Yes.

Q So that if you object it would be up to the railways to come forward and justify it. You knew that?

A I think we are following that procedure with the farm machinery proposed increase.

Q In view of these sections of the Railway Act, and matters you have knowledge of, do you not think that you might want to amend a little bit the language on page 4 of your brief where you say:

> "However, we maintain that railways, on the other hand, ought not to be allowed to aggravate the natural disadvantages by unsupervised manipulation of the rate structure."

Do you not think that is a trifle extravagant?

A Well, it is our opinion that the railways are more or less free to go ahead and adjust rates as long as they are lower than the special class rates.

Q Subject to objection and coming forward and justifying the special tariff, subject to proving competition when objection is taken?

A Yes, that is in the Act.

Q So in view of all that would you not agree that this may be a little strong?

A No, I would not, no.

THE CHAIRMAN: Mr. Sinclair, does the Act say how objection may be made, what form it should take?

MR. SINCLAIR: You mean how it is to be filed?

THE CHAIRMAN: Yes, and so on.

MR. SINCLAIR: No.

THE CHAIRMAN: The section simply talks about an objection. Probably one of the difficilties is that nobody knows just how to take the objection.

MR. SINCLAIR: The regulations of the Board, and the practice of the Board, which has been travelling through the West for many years, are most informal, but it is not in the Act.

THE CHAIRMAN: Might not the Act say that objection may be taken in such and such a manner?

MR. SINCLAIR: Quite so, by filing a letter with the Board, quite so.

THE CHAIRMAN: Whatever the most convenient procedure is.

MR. SINCLAIR: That is done in the regulations, but to put it in the statute might be better.

Q The next point, Mr. McLean, to which I wish to draw your attention is at the bottom of page 4 and the top of page 5 . You state:

"We contend that we have unnatural disadvantages imposed upon us. Whether or not rate discrimination has been practised need not be discussed here at

length, since it is acknowledged on all sides."

THE CHAIRMAN: Where is that?

MR. SINCLAIR: The bottom of page 4 and the top of page 5.

Q What kind of discrimination did you have in mind when you made that statement, Mr. McLean?

A That was covered yesterday by our director, Mr. Wilton, when he pointed out at that time that in the opinion of the Federation of Agriculture it had been quite adequately pointed out in the 30 per cent hearing that there was discrimination.

Q What do you mean by "acknowledged on all sides"? If you are talking of unjust or wrongful discrimination - let us use that term, wrongful discrimination - surely you do not suggest that the Board of Transport Commissioners acknowledged that, do you?

A It is acknowledged by --

Q Your phrase is "acknowledged on all sides."

A Defining "all sides", I say it is the opinion of our membership.

Q It would be your side, acknowledged by your side, not by our side?

A Yes, but there are various classes of opinion within our own organization.

Q Oh, some of them do not agree?

A They all very definitely acknowledge it.

Q So that we will translate that "acknowledged on all sides" to mean acknowledged by all your members?

A Not necessarily. I have no jurisdiction to speak for anything other than our own organization and membership,

but I would say it is generally acknowledged by all the various sections of society in Manitoba.

Q Including the railway section, or are they outside society?

MR. SHEPARD: They have never been in.

MR. SINCLAIR: I am glad to have my learned friend, Mr. Shepard, tell us that.

Q The next point is on page 5 of the brief. In the paragraph just above the heading "the equalization principle" you refer to the supervision of a body required to act in the interests of Canada as a whole. Does that mean other than the Board of Transport Commissioners?

A No. Our intention there was that it could be possibly the Board of Transport Commissioners with enlarged powers.

Q On page 6 of your brief you quote from a radio address of Mr. P. C. Armstrong, economic consultant to the Canadian Pacific Railway. Would you care to file the transcript of that radio address?

A We could do that. I haven't it with me.

Q You could send it to the Secretary of the Commission. Would you do that?

A I could do that, yes. We have it on file.

Q You knew, Mr. McLean, that in dealing on page 10 with the matter of distributive rates, that the railways, where the volume of traffic required it, did publish inbound to the distributing centre rates equal to the outgoing distributing rates?

A I just did not get your question; I am sorry.

Q You knew that the railways, where the volume of

traffic required it, published inbound to the distributing centre rates equal to the outbound distributing rates?

A In Manitoba?

Q Yes.

A I was not aware of that.

Q You also knew, did you not, that the railways up to a distance of 400 miles applied distributive rates between all points on classes 1, 2, 3 and 4 l.c.l.?

A I am sorry; would you repeat that again?

Q Possibly the reporter might read the question.

Reporter reads:

"You also knew, did you not, that the railways up to a distance of 400 miles applied distributive rates between all points on classes 1, 2, 3 and 4 l.c.l."

A In Manitoba as well?

Q Yes.

A I was not aware of that.

Q And that that applied whether a distributing point was involved or not. Did you know that?

A I was not aware of that.

Q You knew, did you not, that the railways publish competitive tariffs for express shipments equal to freight l.c.l. shipments in Manitoba?

A I was not aware of it.

MR. SINCLAIR: Thank you.

CROSS-EXAMINATION by MR. BRAZIER

Q I have one or two questions. On page 8 in the top paragraph you make this statement:

"We further subscribe to the view that the present grain rates are fully justified, both from the point of costs and the economic wellbeing of

Canada as a whole."

Would you tell me whether or not your Federation has made a study of the costs of hauling grain?

A No. As we state in the following sentence it is our opinion that the present grain rates are fully usti-fied both from the point of view of costs and the economic wellbeing of Canada. That is our opinion. Now we understand that the province of Manitoba will submit evidence and argument at a later date to support this view, but it is our opinion right now that it is.

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Q. You have no facts to back up that opinion at all?

A. Other than the fact that in western Canada from a layman's point of view, you have the level terrain and the most economical type of commodity to handle; and also the fact that wheat is an export commodity which is very important to the Canadian Agricultural economy, and we figure, on that basis it just adds up.

Q. The opinion is commonly held in Manitoba, because of the factors you have mentioned, that the railways must be making money out of the carriage of grain.

A. That would be our opinion.

Q. Now, what would be the attitude of your Federation if this Commission should make a study of that matter and come to the definite conclusion that the grain was being carried at a rate below cost.

A. It would still be our attitude that it could be done because of the economic well-being of Canada as a whole.

Q. You would rest your argument for the retention of the present grain rates solely on the ground of the economic well-being of Canada.

A. Because of the importance of wheat in the Canadian economy, I think it is an economical rate.

Q, Would that have the effect that the other shippers of Canada would be required to pay higher rates in order to make up the loss on the carriage of grain?

A. Not necessarily.

Q. I am putting this on the assumption that the Commission comes to a verydefinite conclusion that the grain has been carried at a loss.

THE CHAIRMAN: Mr. Brazier, by the way, is that your contention?

MR. BRAZIER: No, Mr. Chairman. What I wanted was to get the attitude of the Federation on the question, and if that fact should be proven.

THE WITNESS: Well, that would have to be gone into. I think there are several ways you could do it, but just how would be up to the Board of Transport Commissioners.

MR. MacPHERSON: Mr. Chairman, there may be a lot of confusion because of hypothetical questions. The same question might be put in connection with transcontinental rates and with other rates.

MR. BRAZIER: I think the same question was put yesterday in connection with the transcontinental rates. This witness was just expressing an opinion, which he quite properly admits is clearly his own and not based on facts that they have satisfied themselves in regard to. I was just trying to get from him what their attitude would be if the opinion is ill-founded.

THE WITNESS: Well, I think I have answered that.

MR. BRAZIER: Q. Then you come to this: That, on the ground of the economic well-being of Canada, the railways should continue to carry that grain at a loss.

A, No, I did not come to that conclusion.

Q. No. But if you will follow me; if the Commission comes to the conclusion that grain is being carried at a loss, would you still maintain that the present rates should continue in effect, on the ground of the economic

well-being of Canada?

A. Yes, I would go that far.

THE CHAIRMAN: Does anybody else wish to question Mr. McLean?

MR. COVERT: Q. There are a few questions I would like to ask, Mr. Chairman. Has your Federation any specific suggestions along any of the lines in the brief that they might give to the Commission?

A. Not other than we have here; they are more a point of attitude than specific suggestions. But the thing as we see it right now is that the Board of Transport Commissioners, in respect of its attitude towards the farmers, seems to be remote and removed from the general welfare. And immediately you begin complaining about the increased rates or other matters pertaining to transportation, the farmer has the attitude of: What is the use?

He may appear before the Board of Transport Commissioners or before the Royal Commission on Transportation and he finds himself immediately faced by a battery of legal men and advisers of the railways. We are not complaining about that. That is quite all right. That is quite to the railways' credit that they should have advisers. But at the same time we maintain that the Board of Transport Commissioners should be a body to which the farmer and the public can go to receive a hearing - as they do - and then to look to them, with a reasonable expectation that some definite action will be taken and that they will not, at the same time, be confronted by all the legal advisers and expert opinion

on the other side.

Q. I take it then that what you say is: That although there may be all these powers in the Board, perhaps the farmers did not know how easy it is to come before the Board.

A. It is not contained in our brief. This is more or less off the record. But from a point of view, we say that what is really required of the Board of Transport Commissioners more than anything else right at the moment - granted that its powers should be enlarged in certain cases - is that the Board of Transport Commissioners should develop its public relations, when more grievances possibly might be ironed out.

Q. I notice that you say the powers of the Board should be enlarged. Have you any specific suggestions as to what enlargement is needed?

THE CHAIRMAN: What page is that?

MR. COVERT: That is a statement that the witness just made. But I think in the brief he also suggests that the powers should be enlarged.

THE WITNESS: One specific place would be, when there is confusion as to what the Board has jurisdiction over, we should be able to go immediately to the Board and receive immediately ananswer as to what thesituation is.

THE CHAIRMAN: Is it not on page 5, that the application of the principle should be under the supervision of a body which is required to act in the interests of Canada as a whole. Isn't that what this suggestion is related to?

MR. COVERT: Yes, Mr. Chairman. And I think he also mentioned the national scope. What Iwas trying to find out was: When they make these general observations did theyhave something specific in mind which would be helpful to the Commission?

THE WITNESS: When preparing this brief, we felt it to be such a broad subject, with so many implications, it was difficult for us, as laymen, to sit down and make recommendations without considerable time spent in study. But we feel that the Board's powers should be enlarged in a general way. Specifically, it is our opinion that possibly this Royal Commission should give specific thought to that.

MR. COVERT: Q. Yes, and I think it will. We need helpful suggestions in that respect. That is all. Now, before the witness leaves, you promised to furnish a copy of Mr. Armstrong's address.

A. That is right.

Q. That might be marked as exhibit 4.

EXHIBIT No. 4: Filed by Mr. Covert - - Copy of address given by Mr. P. C. Armstrong on the radio, from Toronto, February 14, 1949.

MR. FRAWLEY: Q. Is there not an important movement of farm machinery from United States factories into western Canada?

A. To my understanding there is to a large extent.

Q. And do you understand that all tractors on western Canadian farms, purchased from whatever company, are manufactured in the United States?

Q. I understand that no tractors are manufactured in Canada except now, by the Cockshutt Company in Brantford. Is that your understanding?

A. Not all of them. I was thinking of the Cockshutt tractor.

Q. Well, other than the Cockshutt tractor, they come from American factories, isn't that so?

A. Yes. The large majority of them do come from the United States. I understand there is a movement on foot to have machinery manufactured in Great Britain brought in.

Q. But as of now, you would say it is an important movement from the United States into Canada?

A. Yes.

Q. And is there any duty on that farm machinery?

A. No.

Q. Have you any constructive suggestions to make to get over this obstacle that the American farm machinery meets, when it comes to the Canadian border ?

A. As I stated previously, there should be a lower rate in the present arrangement.

Q. Yes, something lower than the standard maximum mileage rate. Have you people worked anything out in the way of a constructive suggestion to leave with the Commission?

THE CHAIRMAN: If that is all, thank you, Mr. McLean.

MR. COVERT: Mr. Chairman and members of the Commission, thenext submission is by the Vulcan Iron & Engineering Limited. Mr. Stechishin, the Traffic Manager,

will present the brief.

V. M. STECHISHIN, called

THE WITNESS: Mr. Chairman and Commissioners: The Vulcan Iron & Engineering Limited is one of the oldest manufacturing establishments in the city of Winnipeg, commencing operations here in the year 1874, coincident with the incorporation of this city, and seven years prior to the arrival of the first railway train. Its establishment here was in answer to a definite need, and its continued existence and expansion was due soely to its ability to fulfil that need. This ability to be of service to the community is due in a large degree to our geographical location. We feel that any natural geographical advantage, which we may enjoy, is a legitimate one, and should not be unduly disturbed by an arbitrary scale of rates or charges designed to offset topographical or politcal obstacles.

We cannot recognize the economic necessity of a helthy transportation system without acknowledging to the railways the right to offset depressed rates by higher tolls elsewhere, giving them an overall "fair return on their investments." Unfortunately, in practice, this tends to pile the burden on those localities which do not enjoy the advantages of competition by other forms of transport, either real or potential.

We submit that the Vulcan Iron & Engineering Limited, situated as it is, remote from competing forms

of transport, bears an unfair burden because of these reduced rates. Since the subject of rate structures is an almost inexhaustible field we have selected only a minimum of examples.

(1) Itshould be pointed out that because of the long haul required in most cases and due to the low value and heavy weights of our commodities, the freight paid is a much larger factor in our price than is the case with most firms. Yet restriction of movement of these commodities could easily strangle our economy. On April 8, 1948, the railways were permitted to increase their rates across Canada by 21 per cent, as per the Board of Transport Commissioners order No. 70425, dated March 30, 1948, who at thesame time rescinded their order 69612 dated October 17, 1947, which suspended CFA-68 tabling 30 per cent increases on certain specific items. The Vulcan Iron & Engineering Limited did not oppose the railways' application for this increase, since it was admitted that costs had been increased and the horizontal increase applied for would disturb the existing rate relationship to a lesser degree than any other method of application. The railways apparently felt that the 30 per cent figure, originally asked for in the above case, was an absolute minimum figure to offset their increased costs and not merely abargaining point. The application for an additional 20 per cent, now pending the decisionof the Board, is, of course, further evidence that the railways felt the original grant was insufficient. When they were granted a lesser figure, they were also given the opportunity to remove

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certain commodity rates in order to offset the deficiency.

We have prepared a chart which is attached on the back page, showing the freight factor involved on the movement of steel plate to Winnipeg, manufactured into machinery of boilers at Winnipeg and re-shipped at fifth class carload to principle western Canadian centres. This table shows the comparative position as at April 30, 1946 and April 30, 1949. It indicates clearly that as a result of our now having to pay class rates on this vital raw material, our competitive position has suffered to the extent of approximately 20 cents per hundred pounds on all points to which we can be normally expected to compete. We cannot help but feel that we have been assessed a 50 per cent increase on this very important item, in order to offset the fact that the railways received only 21 per cent instead of the 30 per cent originally prayed for. At the stroke of the pen, and without warning, we have been seriously prejudiced in a field accounting for 55 per cent of our total sales.

We submit that the railwaysshould not renegotiate freight rates without giving shippers the benefit of public hearings. These rates are often originally established as a result of lengthy negotiations between the railway and the shipper. On the other hand, the shipper is given little or no opportunity to discuss the increases before they become effective. We have protested the cancellation of this particular rate to the Canadian Freight Association, but even if our protest is successful,

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We still will not receive any compensation for injuries sustained till, and if the lower rate is re-established. In our industry it is frequently necessary to determine the freight cost of an article months in advance of shipment. Without stability of rates or at least some forewarning of change, the impossibility of submitting firm tenders or estimates on prospective jobs is obvious.

(2) The distance from Churchill, Manitoba, on the Hudson Bay Railway to Winnipeg is 977.4 miles. The distance from Montreal to Winnipeg is 1414.1 miles. Below is a comparison of the first six classes showing that, while the first class from Churchill is only 7 cents lower than that from Montreal despite a shorter distance of 436.7 miles, the fifth and sixth classes are actually lower from Montreal.

	1	2	3	4	5	6
Churchill	316	264	211	159	142	123
Montreal	323	269	215	167	138	122

This, of course, is due to western Canadian class rating basis being different from the eastern Canadian class rating basis. We are of the opinion that class ratings should be the same across the Dominion of Canada. We have never heard any good reason why they should be otherwise, except possibly that of historical indifference. In any case, we feel the onus of proving the necessity for any departure from a uniform scale of class ratings should be on the railways.

Traffic handled by rail through Churchill in 1948 was 160,760 tons outbound and 1,199 tons inbound.

Presumably the difference was ballast. Tariff No. CNW-505 publishes class rates between Churchill and western Canadian cities. These are identical inbound and out, but there is no reason for them to be so. Present rates are based on the terminal rates in effect ex. Fort William and Vancouver. The principle of out-of-pocket cost of service in the making of freight rates has been accepted as sound. We feel that freight rates on inward movement through this port should reflect that principle to the fullest degree. It must be apparent that trains returning from the port carry a large percentage of deadhead equipment. A nominal toll would go far toward encouraging fullest use of this port.

Such reduced rates would present many advantages. Some of which are:

(a) They would reduce the cost of purchases to the western consumer.

(b) The increased traffic resulting would add to the revenues of the Hudson Bay Railway without appreciably increasing its expenses.

(c) Greater use of the port facilities would reduce unit costs at the port.

(d) More ships plying the route would then lend weight to arguments for additional improved aids to navigation.

(e) These aids to navigation would result in lower insurance rates and a longer shipping season.

(f) If a railway is assured of a volume of finished products from a given consigner, it may well

find it advantageous to give some concession on the inbound movement of raw products to the said consignor.

(3). International rates - With regard to International freight rates we should like to point out at least one curious anomaly that exists, and which is in our opinion unduly discriminatory against Canadian users of freight, who must for one reason or another purchase a portion of their raw material in the United States. The Canadian railways publish tariffs showing class rates to be used between United States border points and Canadian stations. These tariffs, and we refer in particular to CFA-134B, which our firm uses continually, carries a clause which is known as the Aggregate of Intermediates and reads as follows: And in this clause the dotted lines indicate that I have dropped out certain phrases which do not have any direct bearing on the application.

"If the aggregate of separately established. ..... rates shown in tariffs lawfully on file with the Inter-State Commerce Commission..... applicable on any shipment via any route.....produces a lower charge on a like shipment from the same origin to the same destination shown in this tariff, such aggregate of rates or through rate constructed on the combination basis..... will apply via all routes shown in this tariff, and the through rate published in this tariff has no application to that shipment."

Many tariffs published by the Canadian Railways are, of course, not on file with the Interstate Commerce Commission. Two examples of which directly concern this

company are CNW-190F and CPW-712B, giving mileage rates at a scale considerably below class rates on sand, gravel, clay, scrap iron, etc.,all used in basic manufacture. These commodities also move in the United States at very low commodity rates and understandably so. The net results of the application of this item is that we are assessed 259 per cent of the mileage rate on clay, for example, just for the privilege of crossing an international boundary and because the Canadian tariff is not on file with an agency of a foreign government.

We can accept the Canadian government, having a mandate from the people, protecting industry by erecting a customs barrier against imports, but hardly feel that it is within the province of the railways to do so. A glaring instance of the inequity of this practice is that prior to April 8, 1948, the railways published a rate (item 2170, CFA-1H) on silica sand from Montreal (A & B points) to Vancouver at 55 cents per CWT, a distance of 2878.5 miles or .382 cents per ton mile. The published rate from Noyes to Winnipeg was 14 cents, tenth class, a distance of 65.2 miles, or 4.294 cents per ton mile. This discrepancy has since been somewhat modified.

Our geographical position and the nature of our purchases are such that we must buy from the nearest sources of supply. We submit that it is unfair for the railways to collect a tax on these purchases; of course, this principle works both ways. A shipment going from Canada to the United States would be affected by the same application of that paragraph.

It is not our wish to take up the time of this

HH

Commission with needless detail and have attempted to show as briefly and concisely as possible that our operations are being adversely affected by other than geographic locale. To summarize:

Point One - We are being assessed higher rates, not because our costs are above those of other areas, but because other forms of competition do not exist locally to the same degree as elsewhere. In short, we must pay for someone else's low rate.

Point Two - Where we have an actual geographical advantage it is not utilized, one must assume to protect the "Status Quo" of established ports.

Point Three - Here again, we have a geographical advantage in being near a source of supply, but cannot take full advantage of our position.

We respectfully submit, that we do not feel our location is uneconomic. We do, however, submit that in our opinion we have been penalized by various agencies. The Canadian government should with every means at its disposal foster and encourage prairie industry to balance Western economy and protect its military potential, for here in Winnipeg, we are remotely removed from the vulnerable gates of Canada should another conflict occur.

MACHINERY AND BOILERS

April 30, 1946.

	Item 150 C.F.A.58D	5th Class	Total Freight	5th Cl. Ex.Ham.	Wpg.Advantage	Hamilton Advant.
Fort William	81	57	138	79		59
Hudson	81	44	125	93		32
Winnipeg	81	--	81	114	33	
Brandon	81	33	114	132	18	
Regina	81	56	137	155	18	
Moose Jaw	81	60	141	161	20	
Saskatoon	81	69	150	168	18	
Prince Albert	81	74	155	173	18	
Wekusko	81	77	158	177	19	
Flin Flon	81	77	158	177	19	
Medicine Hat	81	86	167	183	16	
Lethbridge	81	93	174	192	18	
Edmonton	81	95	176	198	22	
Calgary	81	98	179	198	19	
Waterways	81	123	204	227	23	
Vancouver	81	171	252	242	--	10
Victoria	81	172	253	243	--	10

(Table continued on next page)

(Table continued from previous page)

April 30, 1949.

	6th Cl. CFA	5th 4FClass	Total Freightex	5th Cl. Ham.	Wpg. Adv.	Ham. Adv.	Extent of Gain by Ham. Shipper
Fort William	122	69	191	96		95	36
Hudson	122	53	175	113		62	30
Winnipeg	122	--	122	138	16	--	19
Brandon	122	40	162	160		2	20
Regina	122	68	190	188		2	20
Moose Jaw	122	73	195	195		-	20
Saskatoon	122	83	205	203		2	20
Prince Albert	122	90	212	209		3	21
Wekusko	122	93	215	214		1	20
Flin Flon	122	93	215	214		1	20
Medicine Hat	122	104	226	221		5	21
Lethbridge	122	113	235	232		3	21
Edmonton	122	115	237	240	3	-	19
Calgary	122	119	241	240	-	1	20
Waterways	122	149	271	275	4	-	19
Vancouver	122	207	329	293	-	36	26
Victoria	122	208	330	294	-	36	26

Page 263 follows

There is a correction also in this table on page 4, the third column from the right, under "Winnipeg Advantage". It should be 16 cents, not 14.

THE CHAIRMAN: Q. Where is that?

A. The third line, and the third column from the right, 14 cents should be 16 cents.

COMMISSIONER INNIS: On page 3, in the first paragraph, at the top of the page, should it be item 2170 or 1170?

A. 2170.

EXAMINED BY MR. COVERT

Q. If the Commission please, I had an opportunity of going over the brief with Mr. Stechishin, and I thought that I might shorten matters if perhaps I asked him a few questions before there was questioning by representatives of the provinces or the railways. Mr. Stechishin, in the fifth paragraph of your brief, on page 1, at the end, you say:

> "At the stroke of a pen, and without warning, we have been seriously prejudiced in a field accounting for 55 per cent of our total sales."

Now, I understand that what you mean by that is that sometimes you do not receive notice early enough to appeal?

A. That is correct, yes.

Q. Generally there is notice sent out when there is a change in rates?

A. Oh, yes. We subscribe to the tariffs, and we do in most cases get supplements, but there are cases when we do not receive the supplements. I have the file

with me now, as a matter of fact, that I have written to the C.F.A. on numerous occasions for missing supplements which I do not know are missing until the subsequent one is published. They are numbered consecutively, and by getting No. 5 you know you have not received No. 4.

Q. And I believe that you have a suggestion as to public hearings of the Canadian Freight Association?

A. Yes, I have, and what I had in mind as to the public hearings -- I am aware that it has been brought out in cross-examination here that any shipper can protest to the Board, but what I had in mind there was that these supplements when issued are generally presented to the public more or less as a fait accompli, and you are notified that, effective such-and-such a date, these rates will be increased, and then you are asked to protest. Well, in order to make a protest valid you sometimes require a considerable amount of research, and my suggestion on that matter, if I might make one is, there is generally a meeting held of the Freight Association before this supplementary increase is filed with the Board, and if the shippers were invited to the meeting of the Freight Association to discuss the proposed increase before it is filed with the Board, and not merely try to stop something that is going into effect, I feel that under some such basis you are prepared for it then.

Q. Dealing next with your second submission, on the international rates, you seem to have compared a transcontinental rate there -- it is in the third paragraph.

A. At the top of page 3.

Q. At the bottom of page 2 and the top of page 3. It seems that you are there comparing a transcontinental rate, the long haul and the short one. Could you give me a better example of that?

A. I can. I put that in, as a matter of fact, to emphasize the discrepancy in the figures or the differences in the figures, but in checking further on that, after discussion with Mr. Covert on Tuesday night, I worked out the rate from Gretna to Winnipeg, which is almost an equivalent mileage from Noyes, except that Gretna is on this side of the border, and within one mile of Noyes, and the rate from Gretna on common clay, for example, is 8 1/2 cents; the rate from Noyes on a similar commodity was 22 cents. I maintain that the difference between 8 1/2 and the 22 is a customs tariff that the railways are collecting because they are shipping across the border.

Q. Then there is one other thing. In the brief you deal with the Hudson's Bay and Churchill. Now, I½ just wanted to ask you whether or not this is something that you are putting forward for the whole province or whether your company is directly interested in it?

A. No, the Vulcan Iron Company in itself is vitally interested in Hudson's Bay. We are now representatives for four English companies distributing products in western Canada, and as a matter of fact at the present moment our assistant general manager is over in England negotiating further agencies of that line. We feel that if the rate from the Bay were lowered to a degree where it

would be economical we would use it, to quite an extent, I might say.

Q. You realize that this might have an effect on some other parts in Canada that may have objection?

A. That is true, yes; I am quite aware of that.

Q. And it might also affect the railways' movements of freight from those other parts?

A. That is true.

Q. But nevertheless you feel that the matter set out in your brief is an important matter and should be dealt with as you suggest?

A. That is right, yes.

COMMISSIONER INNIS: Q. At page 2 of your brief, with reference to the Hudson's Bay railway, is there an inference that traffic on the Hudson's Bay railway might compete say with traffic on the Canadian National Railways along the lines which Mr. Covert has just described?

A. I did not quite get that.

Q. Would it be, for example, to the advantage of the Canadian National, which is I understand in control of the Hudson's Bay railway, perhaps to discourage traffic by Hudson's Bay?

A. That is a question that the C.N.R. might probably answer better than I can. I am looking at the point of mileage from Montreal and mileage from Churchill. If you can haul stuff 1400 miles for virtually the same price that you can 900, I would imagine it is to the C.N.R's advantage to move it the 900. As I say, I am not a railroad man, and that is a question that they

should answer, not I. That is what it looks like on the face of it.

MR. EVANS: I was going to suggest, Mr. Chairman, that if my provincial friends have questions to ask it would perhaps be better that they precede me. I make that suggestion to you, as they are generally in the same interest.

THE CHAIRMAN: Well, that may be. What you think about it? I see Mr. Frawley, for instance.

MR. FRAWLEY: Well, ordinarily that was the practice we followed in the rate cases. As long as there is no conflict of interest between us and the witness, we used to examine before the railway counsel.

THE CHAIRMAN: Well, how do you feel in this case?

MR. FRAWLEY: So far as I am personally concerned, I feel that way.

THE CHAIRMAN: Then you may proceed if you wish.

CROSS-EXAMINED BY MR. FRAWLEY

Q. Mr. Stechishin, you suggested that the way of changing the sudden increase in rates, or increasing them as they are now, would be to have a meeting with the Canadian Freight Association and the shipper?

A. Prior to the filing of the rate with the Board.

Q. Then I suppose you stop there. You would be content if the C.F.A., which is simply the railways, the traffic officers of the railways, met with people like yourself?

A. Yes.

Q. Now, Mr. Stechishin, I suppose, like all businesses,

when you can pass a freight rate on you pass it on to the consumer?

A. Naturally, yes.

Q. What would you think, then, of going a little further and simply asking for a meeting of the C.F.A. and the traffic officers and the shippers, and having the consumer notified and present at any such meeting?

A. I did not necessarily limit that to the shipper. I mean if the railways are considering increasing a rate on something which we are buying, for example a raw material, then I think we should be notified. Now, I am acting there as a buyer, not as a shipper but, taking the question of a manufactured article, then quite naturally the receiver of the goods should be notified.

Q. Even where you are acting as a buyer, you are acting as a buyer of basic material which you are processing into goods which you ultimately sell, so in the last analysis the consumer pays the freight on everything you buy and sell, really?

A. Well, that brings it down to a question of the public interest.

. That is precisely what I am talking about, the public interest. Have you any views on that, Mr. Stechishin?

A. I will admit it is difficult.

Q. Now, I was just a little bothered, reading your quotation from CFA -134B, which refers to the Aggregate of Intermediates; that is a clause put in by the C.F.A.?

A. Well, it is a Canadian Freight Association

tariff, presumably so, yes.

Q. If it were taken out the problem that you present in this brief would be removed?

A. That is right, yes.

Q. And you could get your raw material from the United States at very much less freight?

A. Correct.

Q. It strikes me as something not entirely unrelated to the construction of the rate applying on farm machinery moving from United States factory origins to western Canada?

A. I have not investigated the rate particularly, but I suspect it is an identical situation.

Q. Thank you, Mr. Stechishin.

THE CHAIRMAN: Anybody else on behalf of the provinces? Mr. MacPherson?

MR. MacPHERSON: No, thank you, Mr. Commissioner.

THE CHAIRMAN: All right, Mr. Evans.

CROSS-EXAMINED BY MR. EVANS

Q. I will try to avoid mispronouncing your name.

A. Stechishin.

Q. Mr. Stechishin, at page 1, at the end of the second paragraph this sentence appears:

> "Unfortunately, in practice, this tends to pile the burden on those localities which do not enjoy the advantages of competition by other forms of transport, either real or potential."

I think you will agree with me, Mr. Stechishin, that the

burden on other localities is not increased by a competitive rate. Some other locality which enjoys the competitive rate does not pay what we have called, and what you call in your brief later on, out-of-pocket costs; would you agree with that?

A. It would depend on whether or not the competitive rate actually meets out-of-pocket costs.

Q. Yes, that is what I say.

A. And also there is that tendency I can see -- when the railway applies for a blanket increase, as they have in the past, that is based on their revenue from the entire country, and a percentage increase would raise the rate of a high-rated rate by a greater number of cents per pound than a low rate, so that in a sense is piling the burden.

Q. I just want to suggest this to you: let us suppose that the railway has to make a rate of 50 cents to meet competition; let us suppose further that if the railway does not make the rate 50 cents the competitor takes the traffic; is that the usual way?

A. That is true, yes.

Q. Now, if the 50 cent rate to meet that competition pays more than the out-of-pocket costs of handling it, it does not increase the burden on the other shipper, does it?

A. At the time, no; but I say when it does come to a question of a general increase, it might. For example, you have not had an increase from 1927 till this one in 1948. Well, if a competitive rate were instituted

in 1928 for twenty years it would not have any effect, but when you presented your figures on net income, that difference between -- well, I can see your point; I am afraid I will have to agree.

Q. It really doesn't matter?

A. It really doesn't matter, because if you did not have the rate in you would not have that revenue; I agree with that.

Q. Now, you were discussing with Mr. Covert a statement at the conclusion of about the fifth paragraph on page 1, and I would just like to get from you a little more clearly what your view is. You were saying there:

> "At the stroke of a pen, and without warning, we have been seriously prejudiced in a field accounting for 55 per cent of our total sales."

Now, there you have been talking in the previous few sentences about the general increases in rates, and have you in mind that those general increases were accomplished at the stroke of a pen?

A. No, I am not referring to the general increase, I am referring to the fifty per cent increase on the rate on steel, steel plate.

Q. Then I think you told Mr. Covert that you thought a meeting of the C.F.A. at which the interested shippers could present their views would be a desirable thing?

A. Yes, that is true.

Q. You would not suggest that with regard to general increases, would you?

A. With regard to general increases, you have a public hearing, because it is before the Board.

Q. I just want to get it clear.

A. That is correct. The Board's hearing is of course a public hearing.

Q. Yes. Now, will you turn to page 2, Mr. Stechishin, after the table of rates, comparing the rates from Churchill to Winnipeg with the rates from Montreal to Winnipeg, where you make this statement -- and I just want to see whether this is quite accurate:

> "This, of course, is due to Western Canadian class rating basis being different from the Eastern Canadian class rating basis."

Now, I just want to make this suggestion and see whether you agree with it, that the east-west class rates, so-called, are constructed very differently all around from either the eastern class rates or the western class rates?

A. They are a combination of both, I understand.

Q. Yes, but in a little different way, I think, are they not? Do you know how they are constructed?

A. I am not quite sure. I have read it, but they are based on the rate to Fort William, based on eastern basis plus a rate beyond Fort William, on the western basis, so the through rate reflects both factors.

Q. Yes. I just want to suggest this to you, that probably the reason for this difference is not quite what you say it is, because, as you understand, the construction of east-west class rates involves the factor west of Fort William and the factor east of Fort William?

A. Yes.

Q. And you know, do you not, that the factor east of Fort William is what we call a blanket or an arbitrary? You knew that?

A. Yes.

Q. It blankets that territory between Windsor and Montreal, and the same rate applies to any point within that territory to Fort William, and that factor is only used on the east-west combination; do you understand that?

A. That is true, yes.

Q. You also understand that there is a factor of water competition in those rates; that accounts for the ---

A. To what extent -- I am not quite sure if it actually does exist. The rates that we quote here are of course all rail rates, which apply whether or not competition by water is in existence at the time; in other words, it is the January rate as well as the July rate.

Q. Well, I suggest to you that all rail rate reflects water competition in it.

A. I would presume it does.

Q. Particularly during the water navigation season; and then in the factor west of Fort William the so-called Fort William terminal rates apply?

A. Yes.

Q. And I suggest to you that the Fort William terminal rates involve this so-called constructive or assumed mileage west of Fort William?

A. Yes.

Q. And that the rate west of Fort William for the distance of roughly 410 miles is based on the class rate for 290 miles?

A. That is correct.

Q. So that actually the explanation of those differences may be found in thos peculiar circumstances rather than the difference in the class rating basis east and west?

A. No, I don't agree. I feel that these differences are arrived at because of the different percentage relationships of the various classes in the east and in the west.

Q. You mean in part?

A. No, wholly. I mean, water competition does not make fourth class a different percentage of first in one part and another.

Q. Oh, no; but what you are suggesting to me is that some of this difference in the rates as between Churchill-Winnipeg and Montreal-Winnipeg is due to different percentages?

A. Yes.

Q. I would agree with you on that, but I suggest that for the greatest difference is due to the constructive rate to Fort William and Montreal to the west?

A. I am not aware of the constructive mileage affecting the class relationships either in the east or the west.

Q. Perhaps you misunderstand me?

A. I am afraid I do.

Q. What I am saying to you is that you have pointed out the fact that Montreal, although a much greater distance from Winnipeg, enjoys a fairly low rate in comparison with Churchill. I am not now speaking of the relationship between classes; that is your second point, and I quite

agree with you that there is a different relationship between classes, but the real reason I suggest to you for the relatively lower rates from Montreal arises from the circumstances which I have just described.

A Well, up to a point, now, because this assumed mileage also applies out of Churchill, so that it is only the eastern factor.

THE CHAIRMAN: Q. What is that last point?

A. The assumed mileage that is used on the Fort William basis also applies out of Churchill.

Q. In what way?

A. 410 miles out of Churchill would be constructed as 290, the same basis as Fort William.

MR. EVANS: Q. You have got advantages I did not know you had. Now, at the bottom of page 3, Mr. Stechishin, you refer to this Aggregate of Intermediates clause, and you make the statement that, just for the privilege of crossing an international boundary and because the Canadian tariff is not on file with an agency of a foreign government, you are required to pay this higher rate?

A. Correct.

Q. Now, have you been familiar with some of the reasons for that practive?

A. No, sir.

Q. You have not read any decisions of the Board of Transport Commissioners?

A. Not on that particular practice, no, sir.

Q. I suggest to you that sometimes, in order to encourage local industry, you have domestic rates on a lower

scale than you would have for your international rates; you would agree with that as a proper policy?

A. Yes, that is true. Of course, I have covered that in the brief, and I can accept the Canadian Government doing it, but I do not think the railways should.

Q. You do not think the railways should encourage industry in their own country?

A. Well, wait a minute now. This is raw material. Restricting raw material is certainly not encouraging industry.

Q. You don't think so?

A. I don't see how it is. I am talking about raw material, not finished products.

Q. I am talking about this Aggregate of Intermediates rule?

A. As far as it affects sand, gravel, clay, scrap iron.

Q. It applies to a lot of other things too, doesn't it?

A. I have not any objection to its application on manufactured products.

Q. You just object to it in one respect; the principle may be sound, but not as applied to the raw material in which you are interested?

A. I mentioned quite specifically in that last paragraph on page 2 that these are all used in basic manufacture. The implication I think is quite clear.

Q. Then I gather you are not attacking the principle of this application of this rule except as to raw materials you use?

A. Well, I am only filing the brief on behalf of the Vulcan Iron, and I cannot attack something that does not affect our firm.

Q. No, but I thought perhaps as a man who was in business you might perhaps feel that there is something wrong with the principle, because you say that just for the privilege of crossing the international boundary you are forced to pay?

A. I think I can say that I am opposed to the principle, yes.

Q. I was going to suggest to you that, without taking you into detail on rates, if a railway makes rates of domestic application to encourage an industry in its own country lower than the basis applicable between United States and Canada, that might be a good thing in many cases, might it not?

A. Is this a hypothetical case?

Q. I am asking you in principle.

A. Because, I mean, to make a blanket statement of that nature is just a little bit awkward. It might in some cases, but then conceivably it might be harmful in others.

Q. The purpose of making rates of local application only could be right in principle, could it not?

A. Hardly, if it is in restraint of trade.

Q. Well, let us go that far with you; but I am trying to get you down to the principle of this construction of these rates, and I am suggesting to you, without going into detail, that in principle it might be quite proper

to make a domestic rate to encourage local industry which did not have application to incoming goods from foreign countries or exports and so on?

A. I still think it is a function of the Government, not the railway. If the Government wants to put on a tariff to protect local industry that is their business, but certainly not the railways'. I can't see it.

THE CHAIRMAN: Mr. Evans, do you intend to show that such things are done.

MR. EVANS: Yes; there is no question about it, sir. These have been most difficult questions, they have been argued at great length before the Board of Transport Commissioners, and I just did not want to leave an impression that things of this kind have not received a great deal of attention. They are not just arbitrary and ill-considered suggestions of tariff making, and, as long as I have indicated that, I do not propose to argue with the witness at all.

COMMISSIONER INNIS: Do I understand that the suggestion is that the railways to some extent have usurped the powers of Parliament in throwing out policies of protection?

MR. EVANS: No, sir, but there have been a great many cases where Canadian railways, just as United States railways, make rates to develop Canadian industry, both in the interests of Canadian industry and in their own interest to develop traffic that will move on their lines. Now, if they made those rates of application to United States traffic coming into Canada, the purpose sought to be accomplished would be defeated in many cases.

(Page 280 follows)

That is all the point I am making about it. It is not because it is government policy. It is because it is in the interests of the railway and in the interests of local industry.

COMMISSIONER INNIS: As long as one realizes that the railways are acting in their interests.

MR. EVANS: Quite.

COMMISSIONER INNIS: There is a difference between what might be governmental interest and railway interest.

MR. EVANS: Quite. Usually you find that what the government is interested in is in maintaining local industries and that is also in the interests of the railway. The implement rates have been the greatest example of that.

COMMISSIONER INNIS: But there are questions on which parliament has jurisdiction.

MR. EVANS: Oh, quite so.

Q On page 3 you make reference to the rate on silica. I assume you are not aware that that rate has since disappeared?

A I am. I mention the fact that the discrepancy has been modified.

Q You said, "somewhat modified".

A At the time I prepared the brief I was under the impression it had been increased in these two increases. I did not know that it had been cancelled entirely.

THE CHAIRMAN: What is it you say about that?

MR. EVANS: The witness has said in the concluding sentence of the first paragraph on page 3:

"This discrepancy has since been somewhat modified".

I am asking the witness if he now agrees that the rate of 55 cents on silica has been cancelled entirely. I was about to put to him that the present rate on silica between these points is $1.79.

Q Did you know that?

A I am not aware of the rate, no.

Q It is perhaps a little mild to put it that it has been somewhat modified. It has been very substantially modified?

A I admit that I was not aware it had been cancelled.

THE CHAIRMAN: What would be the right way to put it then, that it has been greatly modified?

COMMISSIONER INNIS: Would you say it has disappeared?

MR. EVANS: The silica rate has disappeared.

COMMISSIONER INNIS: This discrepancy has since disappeared.

THE WITNESS: That $1.79 rate - is that a class rate?

MR. EVANS: Tenth class rate.

THE CHAIRMAN: The discrepancy has disappeared? Is that right?

MR. EVANS: Well, I have not calculated it. All I can say is there has been a very substantial modification of the rate on silica.

THE WITNESS: A substantial modification.

MR. O'DONNELL : The rate has been increased more than three times. It was formerly 55 cents and it is now $1.79. That removes the discrepancy. I should like to

ask a few questions.

CROSS-EXAMINATION by MR. O'DONNELL

Q I am sure, Mr. Stechishin, that we all want to put forward to the Commission solutions that will be practical?

A True.

Q I would suggest to you that when you suggest at page 1 of your brief that there should be public hearings in connection with rate changes that anyone interested, and particularly the railways, would be going into the business of holding public meetings on a pretty broad scale. I am informed that last year there were approximately 30,000 tariffs changed.

THE CHAIRMAN: What number?

Mr. O'DONNELL: Roughly 30,000 tariffs. It may have been 28,000 or 32,000, but somewhere in the neighbourhood of 30,000 tariffs were altered last year. Then in connection with these individual tariffs in some of them there were many changes in items.

Q That is a fact, is it not, Mr. Stechishin?

A True.

Q That would mean a terrific number of hearings, would it not, if your suggestions were to be acted upon?

A Not necessarily. There are a number of cases where a hearing would not be necessary. I frequently get calls from the railways about proposed changes, telephone calls, and they ask me what I think about it, and if I have any objection I make it over the telephone.

Q That is because they know in a particular case

that you happen to be interested?

A That istrue, but that only applies on rates though that are under the jurisdiction of the western lines of the C.F.A., not the eastern lines.

Q But by reason of your particular interest in that rate, they notify you so that you may be made aware of what is in mind?

A That is true.

Q I think we can agree that in most cases there is pretty complete cooperation between you and the railways in so far as adjustments of that kind are concerned. You are advised; you get circulars, and you mentioned telephone calls. That is the type of information you get from them, is it not?

A That is correct, yes.

Q Then how far would you wish to go with the suggestion that there should be public meetings in the light of the fact that there are so many of these tariffs changed in a year? Rate making goes on daily.

A That, of course, is something that I cannot say. I do feel though that if you are going to alter a rate between two points that notice in the papers at those two points might be satisfactory.

Q All these tariffs are on file, are they not, in the various shipping points?

A Yes.

Q They have to be posted in the stations?

A At the railway stations, yes.

Q Where is your plant located?

A Right in Winnipeg.

Q You are on the mailing list of the C.F.A., are you not?

A Yes.

Q You get notices from them from time to time?

A True.

Q What more can be done without entailing a considerable amount of expense? Your suggestion is that it be put in the newspapers but that costs a lot of money where you have 30,000 tariffs.

A 30,000 rate changes or 30,000 tariffs?

Q 30,000 tariffs and hundreds of rate changes in individual tariffs. That would mean a terrific amount of printing. It might develop the paper industry to a certain extent, but it would entail a lot of difficulty.

A Well, look at it another way. The railways publish the tariff. It is filed with the Board subject apparently to suspension. Are you not taking an awful chance of wasting paper that way?

Q There is something in that, of course, but under the law you have to do that. All I am asking you is what you would ask by way of amendment? That is required under the law. That is not the fault of the railways. The railway saves as much paper as it can. That is under the law.

COMMISSIONER INNIS: Q. May I interject to ask what you would regard as a reasonable length of time to be warned of rate changes from the standpoint of your business?

A What I had in mind was - I cannot be too specific on this because of course I am looking at this thing objectively naturally, from the point of view of my own

firm. We happen to be in a city where the C.F.A. is located. I heard of one case, and I believe it is true, where a particular person wrote the C.F.A. and asked them to be present at the discussion of some rate he was interested in. He got a reply back three weeks later saying that the meeting had been held and that the decision went against him, but he was not permitted to attend the meeting.

Q You have not in mind any sort of ideal for your firm?

A I am looking at it objectively.

Q You have a lot of calculations to make. What would be the length of time that you would ask for?

A Well, the thirty day figure is reasonable provided you are actually notified prior to thirty days, but I know that we are not. We very rarely get more than three weeks, and I have cases where I know, for example, that in one particular case I got it eleven days after the tariff was changed.

Q Would you say forty-five days?

A This last increase of September 15, 1948 - I got my copy on April 11 after writing the C.F.A. three times for it.

Q Would you say forty-five days?

A Forty-five days - actually what I would like to see, and I am speaking personally again, the railways do know in the nature of their business who is interested in a prospective rate change. I would like to see some notice, either by mail or pamphlet, or whatever you like, that the railways are considering changing a rate, and if you have any objections to state them before the tariff is printed, not after.

MR. O'DONNELL: Q. There are requirements in the Railway Act that you suggest should be amended so that a little different type of notice might be given, or a different length of time allowed to the shippers?

A They are on file with the Board thirty days before the increase goes into effect, but we certainly do not have thirty days notice.

Q You have an opportunity of appearing at a meeting immediately following the coming into force of the tariff, as far as that is concerned, have you not?

A That is true, but what do we do in the meantime? We have lost that. Do we get it back?

Q I suppose it is rather hard to take care of all possible eventualities, and all you are looking at is your own company's point of view in the case?

A True.

Q But so far as your own experience is concerned you have been advised in the way that we mentioned a while ago, even by telephone in some cases, and at the next meeting of the Freight Association I understand the practice is that you can appear and voice your complaint?

A But the point I should like to stress there is that even if our complaint is successful we have still lost it in the meantime. We have paid higher rates than what would have been paid if we had been informed.

Q Then you have the further right also to complain to the Board?

A You still do not get your money back.

Q That is correct, and you have some submission to make concerning that. Your brief speaks only of being

advised in cases of increases. What would you say where the shipper is getting a reduction?

A I would say the same situation should apply, because we are just as interested in a competitor of ours getting a reduction as we are in increases of our own rates. It still affects our competitive pposition.

Q You would soon find out whether there has been any change in the position through your own experience or from your competitor?

A Well, competitors do not generally tell you these things.

Q But you find out very quickly in the trade?

A True.

Q As to these classifications that you speak of at the top of page 2 of your brief, have you ever made any application to the Board for a change in the classifications to conform with your idea of what they should be?

A No.

Q You know that the Board has jurisdiction to entertain that kind of application?

A I am inclined to feel that an application of that nature on a general rate matter should come from a public body rather than from a private firm. After all I am not --

Q If the classification is wrong, whether it comes from a public body or a private firm, the Board has to take notice of it and go into it?

A Well, put it this way. I think it is wrong from the point of view of principle, but it is just as wrong for our competitors as it is for us. We are not suffering by it unduly.

Q All I am pointing out is that you suggest it is wrong, and you have never done anything about it although you know that the Board of Transport Commissioners has jurisdiction?

A That is right, yes.

Q You know it is a very informal procedure to set their machinery in motion?

A Quite.

Q All you have to do is to notify them and they inquire into it?

A The reason for not doing anything about it, if I can put that down, is that this is a major task, one that is too large for a firm of our size to take on by itself. As I say, it has not affected us unduly because other steel manufacturers in the City of Winnipeg are under the same handicap, not only steel manufacturers but other shippers in the City of Winnipeg are affected to the same extent as we are. We are not hurt anything by it.

Q On the other hand, in so far as it being a very difficult task, all you have to do is to write to the Board of Transport Commissioners and give them notice that there is something wrong and they investigate it, and have the jurisdiction to do it.

A I do not do anything but sit back and mail a postcard?

Q That is all you have to do as I understand it. The Chief Commissioner said that at a public hearing. I have forgotten where it was, but it is on the record. That is all you have to do. If you think that a classification is wrong the machinery is there to have it rectified.

A I will grant you that.

Q All right, let us go on. I have one question with respect to Hudson Bay. You being a businessman would agree that if that particular port was given any advantage over other routes, over other ports such as Vancouver or Prince Rupert, there would be a terrific stream of complaints from the interested parties in those ports?

A Unquestionably.

Q And when the C.N.R. allows the same tariffs to apply in connection with Churchill as they do for Vancouver, Prince Rupert and Port Arthur, that is pretty fair treatment, broadly speaking, is it not?

THE CHAIRMAN: That is what?

MR. O'DONNELL: Q. I am sorry. I suggest to the witness that when the C.N.R. tariffs with respect to Churchill are the same as they are to Vancouver, Prince Rupert and Port Arthur, that is fair treatment for Churchill?

THE CHAIRMAN: They are the same, are they?

MR. O'DONNELL: That is my understanding.

THE WITNESS: They are the same.

THE CHAIRMAN: What about this constructive mileage?

MR. O'DONNELL. That is inherent in the entire rate structure. That is passed along to them; they get the benefit of that.

THE CHAIRMAN: Does that affect Vancouver?

MR. O'DONNELL: I understand that in certain cases Vancouver gets the benefit of that, and these other ports do also. What I am suggesting is that Churchill is given the same treatment as these other ports, and that if the

witness' suggestion were to be carried out there would be a terrific amount of complaints from the other interested parties. I think he agreed with that suggestion.

THE WITNESS: No, I do not agree with it because of several factors. In the first place I do not think that the present circumstances or the situation at Churchill is in any respect similar to that at the other ports to which you refer. In the second place any rate which permits 1,000 tons to move one way - pardon me, 160 tons one way for every ton in the other direction on the face of it cannot be an equitable rate. It is not good business.

Q You heard yesterday that apparently the shippers have not taken favourably to shipments through Churchill? Were you here yesterday?

A Yes. They have outbound to the extent of 160 tons.

Q To a certain extent.

A If they have outbound why can they not inbound? Apparently the freight factor in Canada in that total movement is detrimental to that movement.

Q All that moves out of Churchill is grain, is it not?

A And lumber.

Q The shipper from South Africa, England, or elsewhere is the man who is going to choose the route, is he not?

A Correct.

Q Apparently the experience has been that these shippers prefer eastern ports in this connection. Certainly they do not adopt the Churchill routing with as much

rapidity as they do somewhere else?

A That may be because of the rate structure.

Q In so far as you know how could it be due to the rate structure, particularly when the same treatment is accorded shippers in these other ports that Churchill gets?

A Well, I cannot see any other reason for it because if I were to accept your premise that would have to apply to the outbound movement too, but apparently shippers do like the outbound movement. The loading through Churchill is done to a large degree by the receivers of the grain because they pay the same price whether it is Churchill, Fort William or Vancouver on an outbound movement of grain. If they prefer it for outbound movement what other reason can there be for not preferring it for inbound movement except the difference in freight rate? You have got a low rate out and a high rate in. I may be wrong, but that is my assumption.

Q My information is that the same ocean rate applies to Churchill as to Montreal.

A Correct.

Q And then from that point on Churchill gets the same treatment as a shipment through Port Arthur?

A There is another factor.

Q Is that your understanding also?

A Yes.

Q And likewise that through Vancouver and through Prince Rupert the same treatment is accorded as is accorded Churchill?

A True.

Q That being the case what do you suggest to the

Commission should be their recommendation, particularly when the choice of route lies with the shipper?

A I suggest to the Commission that they should do something about bringing back 159 empty tons for every ton outbound.

Q In the final analysis that lies with the shipper who has the option of shipping via Montreal, Vancouver, Prince Rupert or Churchill.

A Well, are you suggesting that a lower rate would not mean greater use of the port?

Q Pardon?

A Are you suggesting that the rate has no bearing on the use with regard to inbound movement?

Q I am suggesting simply that where you have three or four ports open to a shipper that the shipper makes his choice, and that the ocean rate being the same, as we have agreed, it is up to the shipper as to what route he will take?

COMMISSIONER INNIS: Mr. O'Donnell, what do you mean by "ocean rate"?

MR. O'DONNELL: For instance, I understand that a shipment from England, let us say, to --

THE WITNESS: North Atlantic ports.

MR. O'DONNELL: North Atlantic ports, including Churchill, the rate is the same.

THE CHAIRMAN: The insurance is not the same.

COMMISSIONER INNIS: Do you mean going both ways?

MR. O'DONNELL: I am only talking of shipment in. The witness' suggestion is that shipment through Churchill should be promoted so that more traffic would move through

Churchill than presently moves.

COMMISSIONER INNIS: Yes, but do I understand that someone shipping with no chance of getting turn-around traffic is going to choose one port rather than another?

MR. O'DONNELL: I think that the ship operator certainly likes a port where he gets turn-around traffic. I am speaking now of the choice in the first instance of a shipper in England shipping to Canada. He has the selection of the Montreal port, for instance, the Halifax port, Saint John or Churchill, and the ocean rates being practically the same he has the choice of where he will ship. He knows that if he ships to Saint John he has a port that is open all year round, and he opts for that port. I am merely suggesting that when equal treatment with these other ports is accorded to Churchill there can scarcely be any complaint there.

THE CHAIRMAN: The witness seems to think that some action might be taken to increase the volume of freight through Churchill into Canada. How can it be done?

MR. O'DONNELL: I think the suggestion that the witness is making is that Churchill be made so attractive that shippers will ship through Churchill.

THE CHAIRMAN: But how can that be done?

MR. O'DONNELL: That is what I am interested in finding out. I suggest to the witness that as soon as Churchill is given any discriminatory benefit in the way of a reduced rate which would attract traffic to it there will be complaints from all the other sections of the country which have an interest in ocean ships such as the eastern ports, or Vancouver or Prince Rupert.

Q Have you any suggestion to make to the Commission as to how that can be done?

A If the other ports can prove that they are moving 160 tons out for every ton in then they would have a legitimate complaint, but I certainly think it is in the interests of the railway and in the interests of the country to see that traffic is carried both ways on every line.

Q That is right, and the facilities of the railway have to be there?

A True.

Q But in the final analysis it is the shipper who decides which way he will ship?

A If you make the rate attractive to the shipper that will help the position considerably.

Q The minute that is done and discrimination in favour of Churchill is put into effect on the basis of your thesis, and to permit you to bring in shipments from your four English agencies, will you not agree with me there would be complaints from every port in the country?

A I will grant that.

Q That being the case, and equal treatment being accorded Churchill ratewise with all other ports, what can be fairer than that? If you have any suggestion that is what the Commission would be interested to hear.

A Equal treatment is based on the presumption that the situation is similar, but the situation is not similar. You have got 5½ cents terminal charges at Churchill and 4-3/4 at Montreal. You can also bring in machinery on the fifth class rate from Montreal to Winnipeg. Assuming that the ocean rate is the same you have lost three-quarters of

a cent on the terminal charges plus an additional six cents from Churchill to Winnipeg. That is a difference of 6-3/4 cents right there, not counting insurance.

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Q. Well, possibly the shipper takes this into consideration too in connection with Churchill, that the port is open a relatively short part of the year. That may have some bearing on the amount that goes through there. Would you agree with that?

A. At the present time, yes.

Q. And that may be one factor, and there may be many others. But on the basis of the figures you set out at the top of page 2 of your brief, shipments get into Churchill at 316, and into Montreal at 323, and the ocean rate being the same, Churchill is favored even over Montreal?

A. How much of that traffic moves at first class?

Q. I do not know that.

A. I take the carload rates, the fifth and sixth; you get into Churchill at 123, and into Montreal at 122; that is fairly close.

A. But you have higher terminal charges at Churchill and higher insurance, too.

Q. But that is due to the fact that Churchill is situated where it is situated. At any rate on the basis of the rates which you set out there, Churchill has not got such a great difference. I expect you would like to see shippers use it more than they do?

A. These rates are based on the 436.7 miles which you are ignoring in comparing them.

Q. There is a whole array of factors which go into those rates?

A. If you have the same mileage and the same rates with a difference in favor of Montreal - -

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Q. Many factors enter into it.

A. True.

Q. There being many other factors, I do not think you and I are qualified to go into them in an expert way. But if Churchill is given equal treatment with those other ports which we have mentioned -

A. I was trying to introduce another factor which enters into the making of rates.

MR. FILLMORE: As the witness is a member of the Board of Trade, I do not think he is being treated fairly by Mr. O"Donnell in saying that Churchill gets the same treatment as other points. The point is clear in his brief, namely, that goods come from Montreal much more cheaply than they do from Churchill notwithstanding the difference in Mileage. His point is in his brief and that is the point he is making. He is not agreeing that Churchill receives the same treatment in that respect.

MR. O'DONNELL: I am the last person in the world who would wish to be unfair to anybody and I do not think Mr. Fillmore means that I am unfair to this friend of mine,Mr. Stechishin. I am just asking him as to a remedy to bring about what I think he would like to have prevail in his own interests, that is, more favorable treatment for Churchill than it is getting at the present time.

A. That is correct .

Q. Have you any suggestions in that regard?

A. I make the suggestion: By means of nominal tolls.

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THE CHAIRMAN: Q. By what?

A. By nominal tolls.

MR. O'DONNELL: In other words you want the traffic to be handled - - -

A. I want the rates to be reduced necessary to the extant to move the traffic. My contention is -

Q. Notwithstanding what loss might be involved in doing it?

A. There is no loss, because you are sending cars back empty. And that rate which moves traffic would be additional revenue to the Hudson Bay Railway. Vancouver and Fort William should have no more complaint against the low rate from Churchill than they have against the low rate from Montreal.

Q. On your theory you would be moving a lot of empty cars from Fort William.

A. Not necessarily.

Q. You have no other suggestion than that to make to the Commission.

A. On that particular point, No.

COMMISSIONER ANGUS. Q. Would there not be a loss to the railways if the traffic which was attracted to Churchill was not new traffic but simply diverted from one of the other ports.

A. I do not see where it would be a loss because it is simply moving traffic over one route instead of another.

Q. But moving it at nominal rates.

A. These distances, and the traffic coming at the same rates, if you used them on the same basis, then you are doing less work for the same haul; you have got the

car coming back empty anyway. The expenditure is there, so it is not a loss of revenue.

MR. O'DONNELL: Q. Would it not mean cars coming back empty from some other route which is not happening possibly at the present time.

A. You are asking about cars coming back empty on some other route. That does not necessarily follow.

Q. Unless there was new traffic.

A. I am trying toencourage new traffic.

Q. But not traffic merely diverted from some other port.

A. True.

Q. And at the present time the shippers seem to prefer the other Atlantic ports.

A. I would say he is driven to the other ports.

Q. I do not know anything about that. Take a shipment to Regina. It would be cheaper through Churchill, yet it does not move that way.

A. Some do.

Q. A relatively small amount. You have given some figures. Would you suggest again that it is not the choice of the shipper which determines where it will run.

A. The choice of the shipper?

Q. The shipper from England, despite the fact that the shipment can go via Churchill to Regina cheaper because of the rail haul, prefers to send it via Montreal. It is the choice of the shipper.

A. It is the choice of the shipper depending on the point of sale, of course.

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MR. O'DONNELL: Thank you very much.

THE CHAIRMAN: Does anybody else wish to ask some questions?

MR. FILLMORE: I would like to ask one question, Mr. Chairman.

MR. FILLMORE: Q. Is it the burden of your complaint that there is discrimination against Churchill because goods are hauled from Montreal to Winnipeg, 1414.1 miles, at practically the same price as they are hauled from Churchill to Winnipeg, 436.7 miles ? Is that the essence of your complaint?

A. That would indicate that, yes.

Q. Although it is 936 miles shorter, that 436.7 miles?

A. It would indicate that; but that would apply to Vancouver and Fort William in that case.

Q. Isn't that the complaint you are making?

A. Yes. I would say that the rate from Churchill should be at least higher than the rate from Montreal on a mileage rate basis.

Q. Should it be lower on a mileage basis?

A. On a mileage basis?

Q. Yes.

A. I did not make any specific suggestion on that point because I think to derive a rate to get the full use of the port would be a matter of trial and error to the extent necessary to move the traffic.

MR. COVERT: Q. There was just one point. I understand the rates from Vancouver on July 1st will also

be on the same basis as from Churchill.

A. That is correct, yes.

Q. If Churchill was changed, then, presumably, the rates from Vancouver would also have to be changed.

A. That does not necessarily follow. Vancouver would ask for it,naturally. But I maintain that circumstances are not similar at the two ports; and because one port has it is no reason for another port to claim the same rate, unless they can show substantially similar circumstances on their movements.

Q. You suggest that the circumstances at Churchill are different from any other port in Canada?

A. Definitely.

THE CHAIRMAN: Thank you.

MR. COVERT: The next witness, Mr. Chairman, will be the Manitoba Pool Elevators and I understand that Mr. Scarth will speak to the brief.

MR. SCARTH: Mr. Chairman, Mr. G. N. McConnell, Vice President of the Manitoba Pool Elevators will present the brief. I might say that the Manitoba Pool Elevators may, at a later time, want to file a further brief, and they reserve the right to file such a brief at Ottawa, because they feel they may have to amplify some of the matters which have been raised in this brief, and as yet they are not sure about their intention to file a further brief at the Ottawa final hearings.

G. N. McCONNELL, called

THE WITNESS: To the Chairman and members, Royal Commission on Transportation, Ottawa, Canada,

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Gentlemen: This submission is made on behalf of the 26,000 farmers of Manitoba who constitute the membership of the Pool Organization. It is made because of the position Manitoba Pool Elevators takes in the economic life of the Province and because of the larger number of producers it represents.

I would like to add that these are actual active members of the grain handling organization and, in addition, we are agents for possibly 6,000 to 8,000 additional livestock farmers; and it does not include the forage crops and seed growers association. So the figure may be 32,000 to 34,000 active farmers in Manitoba.

Manitoba Pool Elevators is wholly owned by 200 local elevator associations scattered throughout the farming areas of Manitoba and on their behalf operates 245 grain elevators in the Province. The Pool also operates a forage crop seed plant in St. Boniface, Manitoba, a feed mill at Portage la Prairie, Manitoba and three terminal elevators at Port Arthur,Ontario. It also acts as agent, through its Livestock Branch, for a large number of the livestock producers of the Province.

Manitoba Pool Elevators is a medium through which the members of the Associations express their views and opinions and also through which the members control the policy of the organization. These farmers, through their Association meetings and members' meetings of Manitoba Pool Elevators, have indicated deep interest in the matters which the Commission is studying.

During the 1947-48 year alone forty-nine Associations recorded in the minutes of their meetings the conclusions they have reached after discussions on

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transportation and freight rates. The following resolution was presented by the Members and passed at the Annual Meeting of Manitoba Pool Elevators in October 1946:

"WHEREAS it has been officially announced that the railway companies intend to ask the Board of Transport Commissioners for a thirty per cent general increase in fr. ght rates;

AND WHEREAS such increase would inevitably increase the cost of distribution of all classes of commodities and thus increase the costs of production;

AND WHEREAS these costs would necessitate a rise in prices and add to the cost of living of all classes of the people and cause a general disturbance in the whole of the national economy;

AND WHEREAS such disturbance would affect the farmers of Western Canada most severely because of their distance from markets and the additional cost of production;

AND WHEREAS it is the announced policy of the government to preserve price ceilings and avoid causes of inflation;

NOW THEREFORE BE IT RESOLVED that this annual meeting of Manitoba Pool Elevators do protest most strongly against such proposed general increase in freight rates and do urge upon the government that because of the menace of such increase to the national welfare the application of the railway companies should be definitely rejected."

The following resolution was passed unanimously at the Annual Meeting in October 1948:

"WHEREAS Western producers are bearing the brunt of increased freight rates as they affect consumer goods, (machinery repairs, feeds, fuel, clothing, groceries, etc.) and also as they affect farm produce;

AND WHEREAS transportation companies are seeking further increases in carrying rates;

AND WHEREAS we believe that farm income has already reached its peak;

THEREFORE BE IT RESOLVED that very strong objection be made to any further increase in freight rates."

These resolutions can properly be interpreted as instructions to the Directors to pursue the policy set out therein. Manitoba Pool Elevators therefore represents the members and makes this submission on their behalf.

Our position in relation to the questions under consideration by the Commission is no different to that of any other primary agricultural producer in the Province. We could take the position that the arguments advanced are on behalf of and in the interests of all farmers, since transportation costs have the same effect on all producers, regardless of what agency handles the product.

Grain deliveries through the Associations amounted to 29 million bushels in the 1947-48 season and constituted 41.75 per cent of the total country elevator handle in Manitoba during that year.

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I might say that this year is possibly a better year and we might reach the extent of 49 million bushels, or 45 per cent of all the grain.

Manitoba Pool paid freight on grain shipments to Fort William for these farmers, in the past five years, a total of approximately $15,600,000.

Grain Freight Account

Year ended 31st July 1944	-	$ 3,800,000
" " " " 1945	-	3,300,000
" " " " 1946	-	2,700,000
" " " " 1947	-	3,200,000
" " " " 1948	-	2,600,000
Total	-	$15,600,000

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I might say, Mr. Chairman and gentlemen, that these figures include the weighing and inspection charges, because we could not find any figures which excluded them.

Shipments of Western Canada grain to terminals for the 1947-48 crop year were as follows (from Grain Trade Year Book):

To Fort William and Port Arthur	255.5	million	bushels
To Pacific Coast	40.4	"	"
To Churchill	3.7	"	"
Total	299.6	"	"

The total for the previous year was 368 million bushels.

No figures are available to show the total freight bill involved in this large railway freight movement, but we estimate it to be approximately $50 million * for the 1946-47 year.

* (368 million bushels of wheat basis ex 25¢ freight rate point - $55 millions)

We used the figure of 368 million bushels of wheat, basis of 25 per cent freight rate which works out at an average of 15 cents per bushel and comes to the figure of $50 million of freight on that grain. In addition there are large sums paid for interior shipments to mills, etc., and for the movement of flour and other grain products.

Grain crops are only a portion of the farm production of Manitoba. The Manitoba Department of Agriculture in its publication "Report on Crops, Livestock, etc. Produced in Manitoba in 1948" shows the estimated net Agricultural production of Manitoba for 1948 to be as follows: (In thousands of dollars)

Field Crops	$164,000	59 %

I might add that that does not include Wheat Board payments which have been made since that was compiled.

Livestock	$ 54,300	19 %
Wool	216	.1%
Dairy Products	31,728	11 %
Garden Products	5,107	2 %
Poultry Products	19,843	7 %
Fur Farming	1,500	.50 %
Clover and grass seed	2,199	1 %
Honey and wax	1,281	.40 %
	$ 278,174	100 %

Transportation charges are a major factor in reducing the net income to the farmer on all of these products. He pays the freight, not only on what he produces but also as a consumer on his purchases of equipment, fuel and other manufactured goods.

The farmers on the prairies are necessarily more conscious of the impact of transportation costs on our economy than any other large group of freight payers in Canada. They know the prices received for their products in the distant market places. They know what they receive at the local shipping point. They know what they pay for the manufactured goods they consume, what they pay for the machinery so necessary to economic farm production, what they pay for fuel oil and coal; they also know that freight rates bear heavily on the prices they pay for all of these things.

They know that they must continue to pay the same freight rates in times of depression.

The farmer also knows that he could not survive on the prairies without efficient railways.

I would like to take a minute, sir, to commend the railways for the excellent effort that they put forth during the war years. I do not think it was second to any, and as Canadians we are proud of it. But I suggest also, as a farmer, - and I am actually a farmer - that if that effort of the railways was surpassed, it was surpassed only by the farmers, the producers of the western prairies, who, with a depleted labor force, with 480 thousand young people in the armed services, made the record possible by the production that went and the railways had to handle. We exceeded in our grain and pork products and bacon, even with the depleted labor force, anything that we had ever experienced before.

It is impossible to segregate the economy of Manitoba from that of the other two Prairie Provinces,

and we find it necessary and desirable in this submission to deal to a large extent with the Prairie Region as a whole.

MANITOBA REQUIRES LOW TRANSPORTATION CHARGES

Agriculture is Manitoba's largest industry and by far the largest industry in the Prairie Provinces. Other industry and the entire economy of the West is dependent on agriculture. Prairie production and Prairie consumption is the foundation of prosperous industry, trade and transportation throughout the whole of Canada; it provides the raw material for many Canadian factories and its products constitute a very large percentage of Canadian exports.

The Canadian Prairies are in the centre of the continent. Winnipeg is 1,358 miles by rail from Montreal and 1,572 miles from Vancouver (C.N.R.) Those are taken from the Canadian National Railways time table. The prairies themselves extend for some 800 miles west of Winnipeg.

A very small portion of Prairie production is consumed locally. Canadian domestic markets can only be reached by a very long rail haul and export markets are seldom available on this continent. As a result, freight rates on prairie production are a very much larger proportion of the market price than in any other part of Canada.

Heavy transportation costs are paid by the producer on the goods he has to sell as well as on the goods he must buy. In addition to paying more for necessities of life as an ordinary consumer, the farmer

of Western Canada pays for a long freight haul on a heavy movement of machinery and operating supplies. The following are examples of goods manufactured largely in Eastern Canada:

Page 315 follows

"Unloaded at Stations in Manitoba, Saskatchewan and Alberta

(From D.B.S.Reports)

	1946
Agricultural implements	154,455 tons
Automobiles and parts	80,562 "
Household goods	18,655 "
Furniture	28,648 " "

I should just like to add a little to the implements there, Mr. Chairman and gentlemen. It is rather for comparison. The retail value on that tonnage in 1946 was $98,050,000, but, just to show the improved purchasing power of the western prairies, and also what it meant to the railways in additional freight, the retail value in 1948 was $204,000,000. I have not got it in tons, but the price almost proved that the tonnage almost doubled. I might also say that over almost any given average years that freight movement is heaviest in the prairies; I would say between 65 and 75 or 80 per cent of the total is in the prairies.

"We are vitally interested in foreign markets and recognize that competition is much keener in the export market than in the domestic. In fact, the domestic price for many of our products is established in the export market.

"Consequently, the costs of getting produce to the market have a direct bearing on our ability in Canada to meet our competitors. This fact has long been recognized by the establishment of export and import freight rates at lower levels than domestic rates.

"The combination of rail and ocean rates at the lowest possible level for the transportation of products is a distinct advantage to any exporting country, and we would point out that agriculture in Western Canada is particularly sensitive of this fact.

"We contend that, because of the importance to the economy of Canada as a whole and of the railways themselves, this principle of lowering rates to meet international competition should not only be preserved but extended.

"Freight rates on agricultural commodities are rigid during period of drought and price decline. We do not contend that freight rates can be reduced in periods of depression, but we do maintain that they should be kept at a minimum at all times.

"A study entitled 'Prairie Population Possibilities' was prepared for the Royal Commission on Dominion Provincial Relations in 1939; this was by Professor W. J. Waines. The findings of this study on the variability of farm income in relation to fixed operating expenses are very pertinent to a study of Canadian transportation. We quote extracts from Pages 47 to 51, as follows:--

'The extreme variability of farm income on the prairies is a factor which discourages increasing the density of population . . . If the prairie farmer is to be in a position to survive depressions without undue outside assistance he will require reserves of

all kinds . . . The variability of farm income arises not only from the fluctuations in gross income due to drought, rust and other agricultural evils, but also variations in prices. Equally important is the relative inflexibility of farm costs . . .

"For the Prairie Provinces as a whole, gross cash income fell from 100 in 1926-28 to 40 in 1930-37, but cash operating expenses fell only from 100 to 70.'

"It is not likely that freight costs were included in either the gross income or operating expense figures referred to. Because of the relatively large crops but low prices in the early thirties, freight costs at fixed rates, if included, would greatly accentuate the variation quoted.

"At Page 49 the following table is given under the heading of 'Farm Cash Income in the Prairie Provinces":

(These figures are in thousands of dollars)

	1928	1932	1926-28 av.	1930-37 av.	Percentage change 30-37 from 26-28
Gross cash income	$612,354	$169,106	$556,331	$222,870	-59.9
Less: Cash operating expenses (ex.interest)	154,331	98,427	146,968	101,344	-31.0
Net cash income (before interest)	458,023	70,679	409,363	121,526	-70.3
Interest on debt	46,255	51,629	43,486	48,003	plus 10.4
Net cash income	$411,768	$19,050	$365,877	$ 73,523	-79.9

"It should be remembered that the cash operating expenses were kept at a minimum during the 1930-37 period. For example: there were few equipment purchases and horses replaced machinery."

I read this statement -- I have not got the proof -- that the repairs for farm machinery exceeded the value, the price, of the machinery sold. That was definite proof.

"Net cash income is before living expenses of any kind.

"It should also be remembered that, the net cash income of $19 millions in 1932 and $73.5 millions average for the eight years ending in 1937, was divided between approximately 260,000 farm operators, and it was not divided equally; very few were able to meet their obligations."

Just as an illustration, sir, I would say, there are 260,000 farm operators; give them an income of $1,000 apiece and you would have $260,000,000, so you can see, with $19 million and $73 million respectively spread over that group of farmers, some of them must have had very little if any income at all.

"This study continues, at Pages 50 and 51, with an analysis of the losses sustained in the 1930-37 period and makes the following conclusion:

> 'Thus it may be said, with a reasonable degree of accuracy, that of the losses sustained by wheat growers in the Prairie Provinces between 1930 and 1937 some 60 per cent was due to economic causes and 40 per cent to natural causes.'

Also at Page 50:

> 'It is not maintained that an agricultural population can be completely self-supporting in face of a succession of complete crop failures. It does seem likely, however, that certain adjustments can be made which will somewhat ameliorate the distress arising from drought and low prices.'

"The following table illustrates the wide variations in Prairie farm income. It shows also the fluctuations in railway freight revenue:".

I would like you to look at this, gentlemen, for a moment. I do not propose to read it, but I would like to make some comparisons, and then I will read the explanation on page 8.

Year	Gross value of Prairie Agricultural Production (1)		C.P.R. and C.N.R. (2) Freight Revenue	
	(Millions of dollars)	Index 1926 =100	(Millions of dollars)	1926 = 100
1926	$ 748.6	100	$ 347.4	100
1927	846.6	113.1	352.7	101.5
1928	805.5	107.6	406.3	117.0
1929	642.0	85.8	375.0	107.9
1930	445.9	59.6	316.6	91.1
1931	291.7	39.0	255.6	73.6
1932	299.1	40.0	211.8	61.0
1933	271.1	36.2	197.4	56.8
1934	356.6	47.6	220.9	63.6
1935	360.0	48.1	231.5	66.6
1936	410.8	54.9	250.9	72.2
1937	394.6	52.7	264.1	76.0
1938	391.0	52.2	250.2	72.0
1939	522.2	69.8	280.4	80.7
1940	537.7	71.8	330.2	95.0
1941	535.3	71.5	416.9	120.0
1942	1048.5	140.1	484.4	139.4
1943	1097.2	146.6	543.4	156.4

Source: (1) Canada Year Book

(2) Dominion Bureau of Statistics - C.P.R. and C.N.R., 1923-1946.

In the first table at the top of page 7, the gross value of prairie agricultural production is given in millions of dollars, and we took as our index the year 1926, because that was an average year, an average crop with an average price. We had just recovered or were recovering from the depression of 1920-22-23, and this was an average year, so we used this year through the table, and while it does appear down in one of the others in the crop year in the table below as 1926-27, it is still the production of the 1926 year, only one is a calendar year and the other is a crop year ending July 31. If you will take a look at the gross value of prairie agricultural production from 1926 to 1929, there is a very favourable gross value of agricultural production. We began to get into trouble in 1931, and there was a pretty difficult period then right up to 1942. While the value of the agricultural production fell, then I want to take you just across the page for a moment to show the relationship that exists between that and the C.P.R. and C.N.R. freight revenue. Based on the same years, the first four years were fairly satisfactory, even the first five years. Their prosperity lasted, I think, a little longer up there. In other words, there was a backlog of grain or some other factor that came into the picture to extend their earnings by possibly one year longer than the agricultural production. Then they got into difficulties in 1931 to possibly 1934, with a low spot in 1933. I mention that because I want to refer to it down in the lower table. You might also notice there

that,while we both dragged along a little -- and this has a very definite impact, I think, to show what prairie production means in freight earnings to the railways -- we both dragged along for a while, agriculture making a recovery a little sooner possibly than the railways. There is an explanation for that, too.

Now, if you will come to the next table:

"The next table shows the wide variation in grain volume, on the basis of cars of grain loaded at country points in Western Canada; it also shows the fluctuations in prices received for wheat during the same period:".

	Cars of grain loaded (thousands)	Index	Average price of 1° Wheat basis Fort William Price	Index
1926-27	296	100	$ 1.46 1/8	100
1927-28	343	115.9	1.46 1/4	100.1
1928-29	406	137.1	1.24 1/8	84.9
1929-30	187	63.2	1.21 3/8	83.1
1930-31	248	83.7	.64 1/4	44.0
1931-32	213	71.9	.59 7/8	41.0
1932-33	241	81.4	.54 1/4	37.1
1933-34	181	61.1	.68 1/8	46.6
1934-35	181	61.1	.81 3/4	55.9
1935-36	179	60.4	.84 5/8	57.9
1936-37	155	52.2	1.22 3/4	84.0
1937-38	115	38.9	1.31 5/8	90.1
1938-39	215	72.6	.62	42.4
1939-40	264	89.2	.76 1/2	52.3
1940-41	208	70.3	.74	50.6
1941-42	211	71.3	.76 5/8	52.4
1942-43	194	65.5	.94 3/4	64.8

Source: Grain Trade Year Book, published by Sanford Evans Statistical Service, Winnipeg.

"The comparisons in these tables indicate sufficiently several important factors related to farmers' problems and transportation."

You will notice in 1926-27, gentlemen, we start out with 296,000 cars of grain -- fairly satisfactory up to 1929-30. The volume went down, but if you cast your eye up into the freight received by the railways, they are still getting along very nicely, because there was a backlog of grain forthcoming at a later time. Then you will also see that we loaded additional cars from 1931 to 1933, but during that time the freight received by the railways declined -- just to show the importance. Then our lowest spot was 1936-37-38; the loadings were the lowest, but even by that time, while the railways had not made a complete recovery, they at least were on theup-grade.

Now for a moment, gentlemen, I want you to take a look at the next table, showing the average price of No. 1 Northern wheat, basis Fort William, to show the impact that price also has; volume and price are definitely related, and I think price is maybe the great factor. You will see there for the first four years a fairly satisfactory price, 1926-27, up to 1929-30, but our lower prices did not coincide with our lower volume of loadings. You will notice that there are three years of reasonable loadings, but the price declined drastically, and our volume really did not get too low until 1936-37, and 1937-38 was the lowest tonnage loaded, but by that time the price had recovered. Manitoba gained particularly, and Alberta, at the expense of Saskatchewan, because Saskatchewan had a drought year; I think about 36 million or 37 million bushels of grain

were produced, which was an average of two and a half bushels to the acre; the price went up and the rest of us who had a crop gained to that extent.

Now, Mr. Chairman, with your permission I proceed to read page 8, and I might say the comparisons in these tables indicate sufficiently several important factors relating to farmers' problems and transportation.

"1. They indicate the wide fluctuations in farm income -- the major problem of a prosperous agriculture. Gross agricultural income in the pre-depression years was averaging 750 to 800 millions of dollars and it fell to $291 millions in 1931 and $271 millions in 1933. The index table shows that agricultural income remained depressed for a period of 13 years, until 1942, when war and post-war conditions created sudden price recoveries.

"2. They indicate that, while farm income declined very rapidly during the early thirties because of price decline, freight was still of major volume because of the relatively high volume of grain production. By the 1933 year, the value of agricultural production had dropped to an index of 36.2 but grain loadings only dropped, for the 1932-33 year to 81.4 and for the 1933-34 year to 61.1. Prices for the 1932 crop were down to 37.1 per cent of 1926 prices and the 1933 crop 46.6 per cent of 1926. It was 64¢ wheat, not the volume of the crop, that started the depression for the farmers in 1930.

"3. The drastic drop in prices with no drop in fixed freight and other handling costs left no margin for the farmer. The annual average price of 1° wheat, basis Fort William, for the 1930 to 1935 crops ranged from a low of 54 1/4¢ to 84 5/8¢. These figures were even lower because of grade spreads. The average freight to Fort William was approximately 15¢ per bushel (25¢ freight rate point) and other marketing costs averaged at least 5¢ per bushel.

"4. The drop in railway revenue from $375 millions in 1929 to $197 millions in 1933 must have been largely caused by factors other than the grain movement. Grain loadings actually increased from 187,000 cars for the 1929-30 crop to 241,000 cars for the 1932-33 crop. The continuing volume of the grain movement was probably the major factor which kept the railways from complete collapse in these years. On the other hand farm income did have a complete collapse.

"5. The index of grain loadings dropped to its lowest point with the 1936 and 1937 crops. These poor crops, however, were more than offset by temporarily higher prices and the tables reflect slightly higher farm income. Railway income did not recover as rapidly as farm income because of the low agricultural volume but it might be suggested that the improved farm income created some of the increase in railway revenue. Certainly the improvement in agricultural income contributed

in later years to the great increase in freight revenue of the railways.

"The fluctuations shown for farm income do not indicate the trend of net income. The farmer buys machinery, repairs, fuel and other operating supplies at relatively stable prices and has fixed costs for interest, taxes, transportation and other marketing costs.

"When crops are poor or prices are low the farmer too often ends up with a net loss. Large fluctuations in farm income result in much larger fluctuations in net income available to meet living costs. The following example has often been given:

Price of wheat, basis Fort William	$1.00	
	reduced to $ .70	decline 30%
Freight and handling costs	.17	.17
	$ .83	$ .53

The net income of the farmer is reduced not 30%, but 36%.

"The need for stabilizing western agriculture has been recognized for many years; the market guarantees of recent years have gone a long way toward meeting this need.

"We desire to draw to your attention the specific action of the Government of Canada which is based on the principle that the economic position of agriculture must be maintained at a level which will not destroy the purchasing power of the farmers with the accompanying disastrous results to the rest of the Dominion. Our particular reference is to

the Canadian Wheat Board Act, 1935, and the Agricultural Prices Support Act, 1944. The principle embodied in this legislation is that there should be a limit below which the price of wheat and other products could not go in the interests of both the farmer and the national economy. The purpose of this governmental action in providing 'floor prices' and a minimum income for agriculture has been widely acknowledged and supported.

"Because of the large transportation costs involved in the movement of western agricultural and livestock production and the heavy burden on the cost of incoming goods, the principle recognized in the maintenance of a reasonable price for wheat and other agricultural products should also be recognized in the control of marketing costs and costs of production.

"The farmers of Western Canada have done much toward increasing efficiency of production through (1) the use of improved machinery to save labour costs and to save time in sowing, cultivating and harvesting; (2) use of improved seed; (3) diversified production; (4) attention to soil conservation, and (5) weed control.

"In speaking of long term agricultural efficiency, consideration must be given to the conservation of our soil and water resources. This factor will ultimately determine the permanence and stability of our entire economy. It is vital, also, to the

prosperity and the survival of the railways. It is an axiom "As the soil goes; the people go.

"A constructive programme designed to maintain fertility and prevent erosion must include greater use of grass, legumes and trees which in turn can only be applied if farmers are enabled to keep production costs as low as possible.

"Progress in this direction is slow, principally because farmers lack the necessary capital (even with higher earnings in recent years) to invest in construction, planting and changes in land use. Our soil and water resources can be safeguarded; production can be stabilized, even increased, by the necessary conservation work. To do this work, farmers must have more net income than the present precarious margin between earnings and costs."

This was prepared in a hurry, sir, and I might say that I never did like that word "precarious"; we mean by that, uncertain. Frankly, I think that we farmers in western Canada would be only too satisfied if we knew that the same net income that we enjoy today could be assured for the future. However, what we mean is that it is uncertain, price is uncertain, and then we also have with us the crop risks and the price fluctuation. I would rather say uncertain than precarious.

"We wish to emphasize that, in addition to the changes which farmers have made to place production on a more efficient basis; in addition to the conservation measures which have been

instituted and which must be increased greatly; agriculture in Western Canada, if it is to fill its important place in the national economy, and if it is to sell its products in the world's markets in competition with other agricultural countries, must have its costs of production and its charges for transporting its produce kept at the necessary minimum.

"It cannot be over-stressed that agriculture is the most vital and essential phase of our economic life and it is pursued under greatly varying conditions. A prosperous agriculture is at the foundation of prosperous industry, trade and transportation."

(Page 330 follows)

Winnipeg, Manitoba,

June 2, 1949.

AFTERNOON SESSION

---On resuming at 2.30 p.m.

GEORGE N. McCONNELL, Recalled

THE CHAIRMAN: Very well, Mr. McConnell.

THE WITNESS: Mr. Chairman, we continue at page 11. We make the general argument that freight rates in the Prairie region should be related to the cost of service on the Prairies. The Prairies in other ways contribute greatly to the economy of Canada and should not be burdened by losses in other parts of the railway systems.

We are not asking that our high transportation costs due to our great distances be subsidized. We do ask, because of the many factors in our economy that indicate a requirement for low rates, that our rates be kept as low as our own transportation costs justify.

It appears to us that railway operating costs in the Prairies are very much lower than in other regions of Canada. There are many contributing factors which, we believe, support our contention, namely:

1. The level nature of the terrain, which obviously results in

lower maintenance costs

larger and heavier train loads

lower cost of fuel

greater speed

2 The nature of the traffic, which makes possible

longer hauls

heavier car loadings

longer trains

very low terminal costs

Manitoba Pool Elevators need not give factual evidence on this subject as there is voluminous evidence already on the records of the recent rate cases, available to the Commission. We have noted particularly the following exhibits in the Mountain Differential Case:

Exhibit 104	(Fuel costs)
Exhibits 98 and 162	(Maintenance of bridges, etc.)
Exhibit 102	(Equipment maintenance)
Exhibit 97	(Maintenance of way wages)
Exhibits 59 and 126	(Haulage capacities)
Exhibit 105	(Freight train speed)
Exhibits 92 and 138 to 143	(Total operating expenses)

It seems obvious to us that the capital costs of transportation facilities in the Prairie Region are lower than in any other area and therefore the requirements for depreciation, fixed charges and dividends should be lower. This important feature has major relevance to a study of regional costs and has never been adequately reviewed. Our position is supported by Exhibit 134 of the Mountain Differential Case. In addition there is evidence as to provincial costs of Capital Expenditures for Additions and Betterments by the C. P. R. during the period 1910 to 1947; this was read into the record of the Mountain Differential Case at page 6138 of the transcript.

The indications appear to be that railway construction costs per mile on the prairies were very much lower than

in other parts of the country and that terminal costs are only a small fraction of the capital costs of terminal facilities in Eastern Canada. Because of the material effect on overall railway requirements of depreciation and return on investment, we recommend that some study of original and depreciated capital costs on the prairies should be made by the Commission.

The operating results of the Prairie Region appear to indicate a profitable railway operation. We base this statement on the comparison of results shown in exhibits filed with the Board of Transport Commissioners.

Exhibit No. 340 filed in the 30 per cent case shows the following for the C. P. R.

	Lines East of Ft. William	Lines West of Ft. William
Net earnings per dollar of operating costs:		
1936 to 1939 average	10.68¢	29.00¢
1940 to 1945 average	14.37¢	24.77¢

A copy of this exhibit is attached for easy reference (Schedule 1). Exhibit No. 119 in the 1927 Rate Case shows a consistently comparable result for the period from 1907 to 1925. We attach a summary of the figures developed in this exhibit (Schedule 2).

If you will turn for a moment to schedule 1, Mr. Chairman and gentlemen, I should like to draw your attention to the second column of figures, working expenses, average for the four years. In lines east of Fort William it is $58,844,000, and the comparison of net earnings to working expenses gives a figure of 10.68. Then we compare that with lines Fort William and west. The average of working

expenses for the same four years, using the same yardstick of working expenses is $61,370,000 which gives a return of 29per cent of net earnings in the western region. Referring briefly to schedule 2 on the next page I would draw your attention to the period 1920-1924. This time this is the average annual operating results analyzed east versus west. Using the same yardstick expenses were $72,250,000 in the east. Net earnings were $14,250,000 earned on that. Using western figures for the same period expenses were $74,000,000 and the net earnings were $28,750,000. The source of those figures on schedule 2 is C.P.R. figures as developed in exhibit No. 119, the McGeer rate case. I now return to page 12.

The results shown in these exhibits are net operating earnings before any return on the railway's investment and if fixed charges and dividends were allocated on the basis of capital investment in the two areas we believe the difference in net return would be much greater.

We understand that operating results of the Pacific Region are included along with the results of Prairie operations. It seems to us that the Commission should determine the result of Prairie operations exclusive of the mountain area.

We recognize that Railway Operating Costs must have greatly increased. We believe these increased costs in the Prairie Region, at least, have been offset partially by greater volume and efficiency. We believe everything possible should be done to further increase efficiency and to keep railway costs at a proper minimum.

We do not believe the railways on the prairies

require large capital expenditures in the future for modernization and the development of luxury railroads. We require only efficient transportation consistent with economical handling of our production.

On the basis of a proper determination of the cost of transportation on the prairies we believe the farmers of Western Canada must agree to pay freight rates that will give a return to railway capital and labour comparable with general living standards in the Prairie Region.

We desire, in conclusion, to summarize briefly the facts submitted;

A secure, stabilized and prosperous agricultural industry is essential to the well-being of Canada.

Freight rates are a heavy factor in the fixed cost of production and marketing and they make a direct and severe impact on the economy of agriculture in the Province of Manitoba and in direct ratio this impact is felt on the national economy.

We emphasize that in the mid-continent region of the prairies the railways are serving an area which is so very dependent for its income on highly competitive international markets.

Agriculture in Western Canada is dependent on and recognizes the value of adequate and economic railway service.

The railways operating in the Province of Manitoba and throughout the West have the advantages of favourable terrain, long haul and economic traffic movements resulting from low cost of construction, low cost of maintenance and low operating costs.

The level of rates imposed in this area should be related to the costs of providing services within the Prairie Region.

All of which is respectfully submitted.

Schedule 1.

(Copy of Exhibit 340, 30% Increase in Freight Rates Case)

C. P. R.

GROSS EARNINGS AND WORKING EXPENSES

1936-1946 inclusive

(000 omitted)

	Gross Earnings	Working Expenses	Net Earnings	% of Net Earnings to Gross Earnings	% of Net Earnings to Working Expenses
		Lines East of Fort William			
1936	$ 62,563	$ 56,707	$ 5,856	9.36%	10.33%
1937	70,030	60,016	10,014	14.30	16.69
1938	62,552	59,232	3,320	5.31	5.61
1939	65,372	59,422	5,950	9.10	10.01
Avg.4 years	$ 65,129	$ 58,844	$ 6,285	9.65%	10.68%
1940	$ 80,848	$ 66,789	$14,059	17.39%	21.05%
1941	105,389	88,438	16,951	16.08	19.17
1942	127,489	106,604	20,885	16.38	19.59
1943	146,796	127,252	19,544	13.31	15.36
1944	148,526	136,988	11,538	7.77	8.42
1945	155,589	142,499	13,090	8.41	9.19
Avg.6 years	$ 127,439	$ 111,428	$ 16,011	12.56%	14.37%
1946 (est.)	$ 142,933	$ 137,441	$ 5,492	3.84%	4.00%

	Gross Earnings	Working Expenses	Net Earnings	% of Net Earnings to Gross Earnings	% of Net Earnings to Working Expenses
		Lines Fort William and West			
1936	$ 76,000	$ 58,545	$ 17,455	22.97%	29.81%
1937	75,056	61,327	13,729	18.29	22.39
1938	79,707	62,274	17,433	21.87	27.99
1939	85,909	63,335	22,574	26.28	35.64
Avg.4 years	$ 79,168	$ 61,370	$ 17,798	22.48%	29.00%
1940	$ 90,117	$ 68,537	$ 21,580	23.95%	31.49%
1941	116,056	87,050	29,006	24.99	33.32
1942	129,375	102,072	27,303	21.10	26.75
1943	150,312	120,644	29,668	19.74	24.59
1944	170,345	138,723	31,622	18.56	22.80
1945	160,520	137,556	22,964	14 31	16.69
Avg.6 years	$ 136,121	$ 109,097	$ 27,024	19.85%	24.77%
1946 (est.)	$ 145,821	$ 130,998	$ 14,823	10.17%	11.32%

C. P. R.

Schedule 2.

AVERAGE ANNUAL OPERATING RESULTS ANALYZED EAST v WEST

Years 1907 - 1925 inclusive

(in millions of dollars)

	EAST			WEST		
Period	Revenues	Expenses	Net Earnings	Revenues	Expenses	Net Earnings
1907-11	32	23.25	8.75	46	28	18
	(operating ratio 72%)			(operating ratio 60%)		
1912-16	45.25	33.25	12	71.25	40.50	30.75
	(operating ratio 73.25%)			(operating ratio 57%)		
1916-20	74	60	14	88.50	59.50	29
	(operating ratio 81%)			(operating ratio 67%)		
1920-24	86.50	72.25	14.25	102.75	74	28.75
	(operating ratio 81.25%)			(operating ratio 70.75%)		
1925 only	77.75	61.25	16.50	100.50	69.25	31.25
	(operating ratio 79%			(operating ratio 69%)		

Source: C.P.R. figures as developed in Exhibit No. 119 (McGeer) 1927 Rate Case

THE CHAIRMAN: Does anybody wish to question Mr. McConnell?

MR. FRAWLEY: No questions.

MR. O'DONNELL: I have a few questions.

CROSS-EXAMINATION by MR. O'DONNELL

Q I take it, Mr. McConnell, that whatever may be said about the rate structure in Canada that we can agree that under the rate structure that has prevailed for some years the country has grown and has prospered. That is correct?

A That is right.

Q And I take it that your organization, from the figures and statistics which are in the brief, maintains pretty complete records on the various subject matters that are set out in the brief, that is, as to data and statistics. Is that right?

A That is right.

Q Would it be very much trouble for your organization to bring up to date the various figures that you have set out in the brief in order that the Commission may get an up to date picture?

A Just what do you refer to?

Q For instance, on page 5 you have figures there with respect to net cash income at the bottom of the page. You have data for various years that you set out there up to 1937. I wondered if it would not be of advantage to have something more recent than figures which are twelve years old.

MR. SCARTH: If I may interrupt, I am instructed that these figures are taken from the Dominion Bureau of Statistics, and they are not up to date. The most available figures have been given, but we cannot go any further.

MR. O'DONNELL: Q. Am I to take it that the Manitoba Pool Elevators have no more recent figures concerning the net cash income of farmers in Manitoba than the year 1937?

A Well, I think that is general knowledge. I think that we all understand that the gross - I cannot say as to the net - exceeds two billion dollars in the last year. That is from memory.

Q Would it be much trouble to give the Commission the figures for the intervening years in order that there may be a document with complete figures?

A I would ask Mr. Scarth and Mr. McDonald if it is possible to get those figures for the Commission.

MR. SCARTH: I am instructed that they were put in this form. That is not the form in which they are available, but if it is desired they can be put in this form and brought further up to date.

THE CHAIRMAN: Then do you undertake to do that?

MR. SCARTH: Perhaps we could give you the reference, if you wish it.

MR. O'DONNELL: I thought it would be handy to have before the Commission for its convenience figures representing something more recent than data twelve years old because my information is there has been a very considerable change in the picture in the last twelve years.

THE WITNESS: That is right.

MR. O'DONNELL: Q. I think we can agree on that?

A That is right.

Q And that the net cash income today, and during the last seven or eight or ten years,is considerably higher than it was in 1937?

A Yes.

Q And in order that the Commission may have the complete picture I would ask you to be good enough to bring up to date the figures that are set out in various places in the brief. Where you have given year by year figures I would ask you to bring them up to date, and by that I mean up to 1948.

A Yes, if possible

Q And where you cannot we will let it go at that.

MR. SCARTH: I should like to point out that these are purely by way of illustration.

MR. O'DONNELL: Yes, and elsewhere in the brief, on page 7, for instance, the gross value of Prairie agricultural production stops at 1943. I should like that to be brought up to date, and all these other tables, in order that the Commission may have ready access to the full picture as it is today. According to my information the picture in the West today is much different from what it was twelve years ago from the point of view of prosperity.

THE WITNESS: I am very happy to be able to agree with you.

MR. O'DONNELL: Q. I knew you would, and I put i to you that not only is the net cash income up very mu over what it was in those years, but that the debt of

farmer and the farming community, and of Prairie people generally, is considerably lower than it was.

A It has been reduced.

Q And that the interest charges are much lower?

A That is right.

Q And in many cases have been completely wiped out through repayment of the debts?

A No, I would not say wiped out; they are lower.

Q By that I mean the gross amount paid for interest is considerably below what it was in 1937 and 1938?

A I would agree.

Q And even investments and cash in the bank are much more than they were in those years?

A Of course, there were not any in those years. There is no comparison.

Q Generally speaking the picture is very much better than it was when the figures in the brief stop. That is all I am pointing out, and you will be good enough to give figures that will satisfy me?

A We will do that.

Q At the top of page 5 in the second paragraph you say:

"Freight rates on agricultural commodities are rigid during period of drought and price decline."

Would not 1923 have been a period of drought?

A No, that was price decline.

Q Well, price decline, one or the other.

A 1923 was fairly good crops

Q It is price decline in 1923. Do you remember what happened to the rates on grain, for instance, in 1923?

They were reduced, were they not, by about 45 per cent through the restoration of the Crowsnest Pass rates?

A Yes. We had had them before though.

Q You had had them some years before, but I am pointing out to you that when you say freight rates on agricultural commodities are rigid during period of drought or price decline that is possibly subject to certain qualification?

A Yes.

Q And in 1923 the qualification was that grain was reduced by 45 per cent. I would assume that livestock is something that the farmer was interested in in 1921, let us say. Do you remember 1921?

A Yes.

Q I think there was something in the way of a drought at that time. There was a great depression, was there not, in 1921 in livestock?

A Yes.

Q Do you remember what happened at that time with respect to railway rates on livestock?

A I don't recall too clearly.

Q Would you remember that the 40 per cent increase which had been granted by the Board of Railway Commissioners in 1920 was wiped out voluntarily by the railways, such portion of it as remained, as far as livestock and packing house products were concerned?

A Yes.

Q And thereby the 1918 rates on those items were restored?

A Yes.

Q And since that time, and until 1948 when the 21 per cent increase was granted, those rates had not been raised, and the 40 per cent increase in 1920 was completely surrendered by the railways for the reasons I have mentioned to you?

A Could I suggest another period to you, 1930, 1933 or 1934, when the freight was greater than the price of the animal the farmer sold?

Q I agree that there are fluctuations, but all I am pointing out to you, and you were frank enough and kind enough to agree, is that that sentence taken by itself might --

A Rigid - when we refer to the word "rigid".

Q Rigid during periods of drought and price decline.

A Yes.

Q They are not rigid to the extent I have indicated to you, that they dropped 45 per cent as far as grain, and 35 to 40 per cent on packing house products and livestock products?

A Yes.

Q So that the suggestion that freight rates are rigid is subject to the qualification that they can be changed and have been changed on rather short notice from time to time?

A They can be.

Q They were further changed, were they not? The grain rate was further changed in 1925. Do you remember when the export grain rate to the west coast was changed?

THE CHAIRMAN: Mr. O'Donnell, there is a question that occurs to me. Are the rates changed in those cases on account of drought or on account of price decline?

MR. O'DONNELL: Well, they were changed --

THE CHAIRMAN: Or does that just happen?

MR. O'DONNELL: It just happened that way, as I understand it.

THE CHAIRMAN: That is to say, a period of drought or price decline would not of itself bring about a reduction of rates?

MR. O'DONNELL: It did with respect to livestock and packing house products, as the witness remembers. As I understand it, there was a very considerable depression in 1921 in livestock, and in order to facilite the transportation of livestock the railways agreed to wipe out the increase which the Board of Railway Commissioners had fixed in 1920, 40 per cent in the East and 35 per cent in the West. In 1921 the Board itself, indicating again that rates are not as rigid as the sentence taken by itself indicates, caused an inquiry to be made of its own motion, and there resulted from that reductions in the rates.

THE WITNESS: How long did those reduced rates remain in force?

MR. O'DONNELL: Q. Those reduced rates on livestock and packing house products remained in force for twenty-seven years until the Board of Transport Commissioners granted the increase that became effective in April, 1948. In other words, during all that time the ceiling, to which the railways might have raised the rates, prevailed 40 per cent higher than what the railways were collecting, 40 per cent in the East and 35 per cent in the West.

A The point I want to get before the Commission is that while you may have reduced your rate the net income

of the farmer during this very difficult period of years - while it may have been satisfactory freight earnings to the railways it was disaster for the farmer.

Q I did not suggest that it was very satisfactory for the railway. All I am suggesting is that the railways recognized that the farmer needed assistance, and to the extent that the railways could, in the case of livestock and packinghouse products, they did grant this reductions. That is all I am indicating.

THE COMMISSIONER: In that case the reduction was granted on account of price decline. That is right, is it not?

MR. O'DONNELL: That is one, price decline. In 1921 there was a depression in the livestock industry, and the railways removed the entire balance of the increase in rates which was then prevailing, and which had been granted in 1920 in the 40 per cent case. Those rates were never restored, and the livestock people continued to get the benefit of the lower rates until 1948 when the 21 per cent increase was granted.

Q At page 11 of the brief, you would not wish the Commission to take it that you are, in the opening two or three sentences there, arguing that railways, particularly transcontinental railways, should be operated onthe basis of regions, would you?

A I have not said that.

Q I gathered what you were indicating was that you should have lower rates here by reason of the operating costs which you suggest are very much lower than in other regions of Canada?

A No.

Q Transcontinental railroads have to be run on a national basis?

A That is true.

Q And it would not be of much use to the Prairie farmer, or to the western people, to have a Prairie region railroad that did not connect either with the east or with the west?

A That is true.

Q And in the circumstances it is the over-all picture that should be taken into consideration, is it not?

A Transcontinental railways though would not make very much money if it was not for the tonnage from western Canada.

Q That is right, but everybody needs everybody else in the picture?

A That is right; we are willing to co-operate.

Q If your tonnage could not be moved anywhere beyond the Prairie region it would not be worth very much to you?

A We came through that experience when it did not pay to move it.

Q We all agree that the probeem has to be looked at from the national point of view, and the over-all picture is what really counts?

A That is the approach we have tried to take in the brief.

Q I thought that is what it was, but I got a slight indication that you were arguing that because costs were lower in the Prairie region there should be some kind of

special rates for the Prairie region, and that the other regions that might have to be operated as a part of the whole in the national interest should be allowed to take care of themselves?

A We have not asked for lower rates. We have asked for rates that bear relationship to the costs incurred in earning your revenue in the area served, taking all things into account.

COMMISSIONER INNIS: Q. Can you tell me whether these exhibits show the costs of moving grain westbound, and the costs of moving manufactured products eastbound, or is it all lumped together?

A You mean the exhibit at the bottom of page 11?

Q Yes. I was wondering how far this analysis had been pushed.

A It does not specify grain, but in all of this I can assure you that in every one of these exhibits there it is in favour of the Prairie region.

Q I was thinking about grain.

A I do not think we have figures on grain.

MR. EVANS: It was not a commodity class study at all.

MR. BRAZIER: Having been in the mountain differential case, I think I should say that these exhibits are merely general figures for all types of traffic. I think I should call the Commission's attention to the fact that there were a number of other exhibits, some of which are favourable to the prairies and some of which are not, but that is not a complete list of the exhibits filed in that case.

MR. O'DONNELL: Q. In the over-all picture what would be your view with respect to fostering development lines, branch lines or lines that go into areas that are being colonized and opened up? You would not expect that they would originate enough traffic to take care of themselves in the first instance, although they might ultimately. Would you care to offer any expression of opinion about that?

A I am not so sure about the future, but in the past I think the taxpayer of Canada has contributed a fair proportion in pioneering work of that nature both in dollars and real estate.

Q I am asking you what your view is on that type of line because we know there are many lines which, in the national interest, have to be operated for the benefit of the people living in remote areas.

A There have been some lines built in the past that were not for economic reasons. I think you will admit that.

Q Those are the ones I refer to, lines that are not strictly a commercial proposition but which nonetheless have to be operated for the benefit of the people living in those areas. What do you think should be done with respect to those? Have you any views on that? Has your organization any views?

A No, we have not given any thought to that.

Q You have not given any study to that. I think that is all.

CROSS-EXAMINATION by MR. EVANS

Q I have two or three questions. Would you look at page 3 of your brief. In that small table there are figures of dollars and percentages in relation to various kinds of farm products, and at the top I see field crops. Would that include grain and grain products moving at the Crowsnest Pass grain rates?

THE CHAIRMAN: What is your question?

MR. EVANS: Q. Would the item "field crops" at the top of the table on page 3 include grain and grain products moving at the Crowsnest Pass grain rates?

A That is right.

Q Is it right that of the total agricultural product 59 per cent consisted of field crops?

A I would say that would be a fair average.

Q Can you tell me - I only want to know approximately - of that 59 per cent how much would be grain and grain products moving at the Crowsnest Pass grain rates? I am not going to hold you to a decimal point.

A I would say practically all.

Q Practically all?

A Yes.

Q Therefore, with regard to the suggestion which appears more or less all the way through your brief, there is no complaint involved about that more than half of the total agricultural product with regard to the rates it moves on?

A That is true. I want to go a little further. I have not suggested lower rates, and in fact I never mentioned the Crowsnest Pass rates. They may be low, but I do not

know anything about it. All I have asked for is that the rate should be related to the cost of the service in the area. I do not know whether it is a low rate or not.

Q Would you go this far? Would you also say that the rates for moving grain and grain products should be related to the cost of moving in the area?

A Well, after all that is the bulk of our tonnage.

Q Would you agree that it would be proper to have the grain and grain products rates fluctuate as the cost of operating the railway in the Prairies fluctuate?

A We have never had fluctuating railway costs that way. It has been rigid. I am not asking that they fluctuate.

Q I am asking you whether you would pursue this theory that Prairie costs should be reflected in the rates to the point of agreeing that grain and grain products rates should also fluctuate with the fluctuating costs of rail haul?

A No, all our experience, and the exhibits that we have filed here, prove that the operation in the Prairie region has been satisfactory with the present rate, and we are not asking that they be changed.

Q Then if I understand you correctly it is only those rates that cover commodities that do not move at the statutory grain rates that you want to reflect the costs of operation on the prairies?

A No, I did not put it that way.

Q I am not trying to trap you. I am trying to see what you do say because at a later stage --

A What paragraph are you referring to?

Q I am looking at page 11 where you say:

"We make the general argument that freight rates in the Prairie region should be related to the cost of service on the Prairies."

A Right.

Q If the rates are to be related to the cost of service that means that they must fluctuate with the cost of service. Am I not right on that?

A For the future, if you are anticipating rising rates, but I cannot recall a great fluctuation downward in the past, if that is what you are referring to.

Q Well, I thought I tried to make it clear. Does your theory, or does it not, involve that the Prairie costs should be reflected in the Prairie rates, whatever those might be? If costs are up on the Prairies they should be up, and if they are down on the Prairies they should be down; is that your theory?

A I have not said that.

Q I just want to know what you do say. What do you say?

A It is quite apparent there. We are not asking to be subsidized. I make that statement somewhere in the brief.

Q I know you do.

A And the facts and statistics that we were able to obtain - and they were mostly railway figures; in fact, I guess they were all railway figures - seem to indicate that operations in the past were satisfactory in the Prairie region with the rates charged, and to my mind they have not fluctuated a great deal.

Q Supposing they went down --

MR. SCARTH: May I refer you to the second paragraph on page 5 where it says:

"We do not contend that freight rates can be reduced in periods of depression",

And so on.

MR. EVANS: Q. I am not talking about periods of depression. I want to know what the witness means when he says they should be related to the cost of services on the Prairies. I assume if the cost of services on the Prairies is low the rate should be low, and if the cost of services on the Prairies is high the rate should be relatively higher?

A That is reasonable, yes.

Q And that principle would apply to grain and grain products as well as to other traffic?

A Yes, I have not separated them.

Q On page 4, dealing with the table of the tonnage unloaded at stations in the Prairie Provinces in these various commodities, I want to ask a question there. You interpolated a little item for 1948. Perhaps my note is not complete.

A I got that later. Related to agricultural implements, the tonnage is 154,455 tons in 1946, and the retail value for that was $98,050,000. That is in the Prairie region. For 1947 the retail value - and I have not the tonnage increase - was $144 million odd, and in 1948 it was $204 million, and including repairs I think it was up to $238 million.

Q I think I have got that correctly. The point I want to put to you is that you went on to say that the

difference between the value of $98 million in 1946 and the value of $204 million in 1948 indicated to you that the tonnage had doubled?

A Maybe that was a rather broad statement. It certainly has increased.

Q I am not questioning that. I suggest to you though that if you apply the wholesale index to the 1948 figure, the increase in the wholesale index, you will find that you can infer a tonnage growth of about 50 per cent, but not double.

A I would agree with that. The only reason it was smaller was the inability of the machine companies to get the steel to manufacture machines.

Q On page 10 - I am sorry, on page 7 Mr. O'Donnell was asking you about those tables of agricultural production and freight revenue in the parallel column.

A That is right.

Q Am I right that since 1943 the Dominion Bureau of Statistics does not keep figures on the gross value? They have now gone to the cash income basis?

A Yes.

Q I suggest to you that if you look at the cash income basis of agricultural products using the same index of 1926 as 100 --

A Yes.

Q --that taking the bottom figure on your table the index figure instead of 146.6 - I am not saying there are errors in this; I am trying to relate it to the other index - was 124.3, and that year by year that index was 124.3 in 1943; 192.4 in 1944; 150.4 in 1945, and 153 in

1946, which is the last year I have.

A I see.

Q Taking the other index on the railway side, to bring you down to 1946, the index for 1944 is 160; for 1945 it is 157; for 1946 it is 149.6. So that I suggest to you there has perhaps been a greater tendency on the agricultural side to grow, and a tendency the other way up to 1946, a tendency for railway income to decline?

A That is right.

Q Then I turn to page 10. You speak there about the necessity for soil conservation and the efforts that are being made.

THE CHAIRMAN: What page?

MR. EVANS: Page 10. I think everybody agrees that is a very worthy matter.

THE CHAIRMAN: It was what wording?

MR. EVANS: I am talking about page 10 and the discussion on soil conservation. Q. You speak of the necessity of the farmer having greater net income for this purpose. I do not know whether you agree with me, but my information is that a lot of that is being provided by the government and other agencies. That is to say, the government is supplying trees for planting to conserve the soil, and you are also getting assistance under the Prairie Farm Rehabilitation Act. Is that true?

A We pay into it as well.

Q That is a contributory plan, is it?

A Yes.

Q And that is primarily water conservation, is it?

A No, not only that. When there is a crop disaster,

if it falls below a certain number of bushels there is a certain payment.

Q I understand that even the railways supply a little assistance in the form of instruction in soil conservation, tree planting, and so on?

A I am glad to hear that.

Q You are not aware of the railway forestry car?

A Yes.

Q Then on page 11 you have made some reference to exhibits in the mountain differential case. I was wondering whether you are familiar with exhibit 94 in the same case?

A I have not studied it.

Q I suggest to you that exhibit shows the earnings and expenses per thousand gross ton miles for the Pacific, Prairie and Eastern regions, and for the system, and it also shows net earnings before income tax per mile of line. You have not examined that?

A No.

Q I suggest to you that in the Pacific Region for the twelve months ending October 31, 1948, that exhibits shows that the net earnings per mile of line were $1,065, for the same period in the Prairie Region $1,221, and for the Eastern Region $2,236, and for the system an average of $1,548. That is all Canadian Pacific. Then per thousand gross ton miles I suggest the same exhibit shows 30 cents for earnings per thousand gross ton miles - that is net - in the Pacific Region, 36 cents per thousand gross ton miles in the Prairie Region, and 41 cents per thousand gross ton miles in the Eastern Region. Does that surprise you?

A There are quite a few other things to take into consideration. You have a much heavier investment in terminals and things like that to earn money in those areas.

Q You are not surprised at those figures?

A I think some of the benefit accruing to the Eastern is also part of the Western effort that goes over Eastern areas. Do we get credit for it?

Q No, I agree that you probably do not in these figures. They are statistical figures, but do you also not realize and give us some credit --

A Sure.

Q -- for supplying facilities that youuse for your traffic inbound and outbound?

A We pay the shot pretty well for those services.

Q Do you not think that --

A I mean additional to the railway for those services to get our grain on a competitive basis.

Q But we are talking now about costs of operating in the Prairies and costs of operating in the east. My idea of what you intended to convey is that costs of operating in the Prairies are low as compared to the East?

A Yes, we believe that to be true.

Q What I am suggesting to you is that if costs of operating in the east are high some part of those costs must be incurred in carrying western traffic?

A Well, I did not suggest that costs in the east were high.

Q Do you not say they are high? Is the purpose of your page 11 not to indicate that they are lower on the

Prairies than they are in the East?

A Yes, but I did not say the others were high.

Q Well, they are higher relatively. Let us not worry about words.

A All right.

Q And to the extent that they are higher on the Prairies your thought was that the rates should reflect those costs?

A That is right.

Q What I am suggesting to you is that if western traffic, both in and out of the west, uses the facilities of the east it is necessarily to be expected that in the rate the factor east of Fort William would have to reflect those higher costs. I do not want to be unfair about it. It seems to me so obvious. You would agree with that, would you not?

A Would you mind stating that again?

Q If you have rates fixed in the west on what you say are lower Prairie costs and rates in the east fixed on what you say may be relatively higher operating costs, would you not expect the factor in the rate east of Fort William which is paid on traffic moving into and out of the west would have to reflect those higher costs in the east?

A It might, but that is all the more reason why we people in the western provinces that pay both ways have got to guard against being unduly loaded up with something.

Q You and I agree on that. No one wants to load you with costs. I am not here to try to sell you on that.

Page 370 follows

I want to get from you as cearly as I can, what your thoughts are; whether you would not agree with me that sometimes there are two sides to this kind of story and perhaps your traffic would have to bear some of those Eastern costs also.

A. I am not too sure thatin the past they have not already.

Q. If they have, perhaps it is all right.

A. If they have, why then it is all right.

Q. Does it not occur to you also that where the railways have had to reduce rates in the East to meet water competition on the Lakes, that that also would have been reflected on the rates which you have enjoyed.

A. Possibly in a very small measure.

Q. So you do not agree with the Board of Transport Commissioners on that?

A. Not necessarily.

Q. Do you know what they said about it in the Western Rates case?

A. Not particularly, what they definitely said.

Q. I would like to read you this.

THE CHAIRMAN: What is it?

MR. EVANS: It is from the judgment of the Board in the Western Rates Case, the judgment of the Chief Commissioner, Sir Henry Drayton, reported at 17 CRC; it is just a little extract that I propose to read.

THE CHIEF COMMISSIONER: What year was that?

MR. EVANS: That was in 1914, I think.

THE WITNESS: That was even worse than my seven-year period.

MR. O'DONNELL: The railroads have been running longer than that.

MR. EVANS: The rear of the room does not appear to like back history. Perhaps it will be history repeating itself today.

"It should however be borne in mind that while water competition is urged as being the reason for a low rate standard in the East, the water rate, with resultant low freight, has probably played a greater part than any other factor in the prosperity of the West."

You would not agree with that?

THE WITNESS: I am not in a position to agree or to disagree. I do not know anything about it. We do know that the Panama Canal rate helps out on the Pacific coast.

MR. EVANS: Q. I think on page 12 you make a reference to exhibit 340 in the Thirty Per cent Case.

A. That is right.

Q. I was wondering whether you were familiar with exhibits 131, 220 and 344 in the same case.

A. No.

THE CHAIRMAN: What are those exhibits?

MR. EVANS: Those are exhibits in the Twenty-One Per Cent Case, exhibits 131, 220 and 344.

MR. EVANS: Q. And I suggest to you - I think it is exhibit 344 although I have not it with me - that when the Canadian National and theCanadian Pacific results, as between East and West, are added together, in that particular exhibit it shows that, combined under

earnings, that the two in the East are higher than they are in the West. But you are not familiar with those exhibits?

A. No, I have not studied them.

COMMISSIONER INNIS: Q. Have you any explanation for the changes which apparently have taken place in the places where you have worked out the comparisons?

A. What is the page?

Q. Page 12 of exhibit 340.

A. We have that, Mr. Scarth, I believe, in more detail, lines east of Fort William and lines West of Fort William?

MR. COVERT: Q. Perhaps you do notneed to look at the exhibit in order to answer the question.

COMMISSIONER INNIS:Q. What is the explanation for the shift which seems to have taken place from 1068 to 1437?

A. That is in schedule 1 at the back of the brief; and using working expenses as the yardstick, certainly the comparison of net earnings is favorable to the Western region?

Q. Have you any reason for the rates changing materially during those periods?

A. This goes back to Thirty Six and Forty Five and it is a general operating basis; and that is the result that comes from averaging those four years. Again, you can go down lower and average six years and it is still in favor of the West. Those are the conclusions we came to.

Q. So this is just a statement of fact; you have

not gone intothe reasons for the change, or you have no explanation?

A. It is just a copy of exhibit 340, in the Freight Rates case that we used.

MR. COVERT: Q. I do not think you have understood Commissioner Innis' question. He simply asks if you can give any reason why there should have been the shift; you notice the figures for 1936 to 1939 are 10.68?

A. Yes.

Q. And from 1940 to 1945; 14.37.

A. Well?

Q. Similarly you have Twenty-Nine to 2477, and he ia asking you if you know of any reason why there should be that shift or change.

A. I could not give the reason in the East; but certainly I think that our table that we give there, prior to pages 7 or 8, would almost indicate some of the reasons for the West, after that period of time, from 1936 on, while recovery in freight was not hardly equal to the gross value of prairie agricultural production. At least, it was improved; that is about the only reason I could give.

MR.SCARTH: Q. Have youthought of war conditions; could you speak on that?

A. There is no doubt about it that the war and the post-war conditions, up to 1939, Dr. Innis, the purchasing power of the farmer was - I can recall that we were down to meet the Government in 1938 trying to retain 80-cent wheat; and it was not until 1943 that we

got $1.25; and we were on that basis for two years. You are all familiar with what has taken place since. It was this additional purchasing power which must have had some effect both on the East and the West supplying freight, possibly both ways, andall the more important, because it is just as essential to the railways that ample purchasing power be kept in the hands of the people in the Prairie region.

We pay a more diversified freight than any other section of the people.

THE CHAIRMAN: Is that all now from Mr. McConnell?

MR. COVERT:Q. There was just one question I wanted to ask. I understood that on page 11 you suggest that freight rates in the prairie region should be related to the cost of service on the prairies. I am a bit confused about that. It seems to me that there are so many parts of the brief which would indicate that you tie the rates to the cost and so, because the prairie costs are the lower ones you would draw the inference that you mean that the rate should be lower. I was wondering if that would not drive you to the position where you would have regional rates.

A. Shouldn't you always have in mind how your rates relate to your costs, as a business man? Isn't that fundamental in business?

Q. It may be. I am looking for information. Are yousuggesting that theyshould be tied to the cost?

A. They should bear a relation to the cost; they should not be excessive to the cost.

HH

Q. Does that drive you to the position where you may have regional rates? For example, if costs are lower in the prairies and higher in the east would that mean that you would relate the rates to those costs and have one set of rates?

A. No, I do not think it would mean that, but I do think your rates should bear a definite relationship to the tonnage moving over the area. That is one thing weare trying to keep before the Commission here, the importance in the Prairie region.

COMMISSIONER INNIS: Q. The point which concerned me earlier was the heavy tonnage moving westbound down-grade.

A. Yes.

Q. That is quite a difference perhaps from a manufactured product moving in the opposite direction upgrade.

A. That is right.

Q. Now, do I infer that you would care to push the analysis that far?

A. I still think it comes back to what I said a moment ago, Dr Innis, about our buying power; the more that we can keep those cars coming back, the better. The complaint of the railways formerly used to be about the back-haul of empties. But there are less empties today because we have lots of money to buy Canadian goods, and they are getting tonnage both ways. That is the point.

Q. You have not gone much farther than a general proposition in relation to the whole.

A. Just what is your question?

Q. You have not attempted or thought of breaking it down into a minute analysis?

A/ No, not that.

MR. SCARTH: Q. I think that in your brief, Mr. McConnell, you suggested that a study be made of the conditions and of the costs. That was your recommendation?

A. Of the prairie region.

Q. I think you should explain it to the Commission just what you had in mind, as a result of the material that is set up in your brief.

A. We understood, gentlemen, that there is no separate statement from British Columbia and the Prairies; and we felt that the statement we have made here, believing it to be true, that possibly a study could be made by the Commission, whereby Prairie costs might be really pinned down a little closer than they are without the differential. But rightly or wrongly, we feel that we share some of the costs of the British Columbia differential.

MR. FRAWLEY: Q. And, of couse, you think you should not.

A. Oh, I do not think we would quibble too much about that. After all, this is the Western region; we do not know how much; maybe we are right now.

Q. Well, if you are, do you think it is right or wrong.

A. Flatly, I would say I do not see why we should bear too great a portion of it.

Q. Well, do you think you should bear any portion

of it?

A. I know what you are coming at. You are from Alberta.

Q. Well, another day, then.

A. We have not given any thought to what you have in mind.

THE CHAIRMAN: That is all, Mr. McConnell.

THE WITNESS: Thank you.

MR. COVERT: The next submission will be that of the Manitoba Co-Operative Wholesale Limited and Mr. Shepard will speak to the brief.

MR. SHEPARD: Mr. E. B. Chown will present the brief of the Manitoba Co-Operative Wholesale Limited. He is the Manager.

E. B. CHOWN, called

Gentlemen: The Manitoba Co-operative Wholesale Limited is an organization entirely owned and operated by some 35,000 members residing in Manitoba and the adjacent part of Ontario. The Company commenced operations in 1928 and its main function is to supply some 125 Local Co-operative Associations with a wide variety of goods such as gasoline, distillate, motor oils, greases, binder twine, coal, hardware, feeds, dry goods, etc. The total business transacted by the Wholesale and its affiliated Associations was approximately $10,000,000.00 in 1948.

Practically all goods sold have to be brought into Winnipeg from a considerable distance and then redistributed to various country points. Although exact figures are not available, it is very evident that the distribution of such a volume of merchandise means a considerable outlay for freight charges. As all such transportation costs must be passed along to the ultimate consumer in the form of higher prices, the matter of a fair and equitable freight rate structure is of the greatest importance, not only to the members of our organization, but to all other Manitoba citizens as well.

As our basic membership is made up of farmers, we believe it is in order to say that freight rates are doubly important. As is well known, the farmer not only pays something extra on almost everything he buys, but, in addition, must deduct from the sale price of almost everything he produces, a substantial amount to cover

freight charges.

We recognize that a proper freight service is essential to the operating economy of every country. Due to Canada's particular geographical pattern, it is possible that freight costs may form a larger proportionate share of the value of most products, than in most other countries. No one will deny that transportation of all types, is of the greatest importance to each individual section of the country, as well as to Canada at large. Its very importance leads us to believe that greater study and consideration is needed to develop a better system of establishing and controlling freight rates than we have enjoyed in the past.

We regret that we cannot present to the Commissinn for examination, a ready-made plan that would solve all difficulties. We are all too aware that many experts and several Commissions have studied the problem and failed to find a complete and comprehensive answer. We recognize that changes and revisions will always be necessary to meet the varying needs of the times, but we submit that a great deal more canbe done to achieve a more understandable and a more equitable system for computing freight rates. As a farm organization, we are not qualified, by any means, to undertake such work. We ask only, that this Commission recognize the shortcomings of the present system and undertake to develop a continuing plan that will materially improve the system to be used in the future.

THE POSITION OF WESTERN AGRICULTURE - Although our knowledge of freight matters may be only superficial

we cannot help but feel that Western agriculture has carried more than its share of railroad operating costs. To the layman, it would appear, that operating costs on the Prairies must be considerably lowerthan in most parts of Canada, yet we understand that in many cases, the freight charge to move a like quantity of goods a like distance, is much higher in the west. We are told that this is due to competitive truck or water competition in the east. Here in the west where competition is apparently too weak to push down most rates, the railroads therefore, must maintain nearly all the business. That fact in itself would seem to merit a lower rate structure for the west.

Directly and indirectly, western agriculture must be the main contributor to freight revenues in the west. As there is both incoming and outgoing freight to be paid, inmost cases, by agriculture, it means a very heavy burden if the rates are proportionally higher in the west than in the east. Perhaps, on some occasions, the east has assisted the west financially, but it appears that in the case of railroad operating revenues, western agriculture is lending more than a helping hand to the east.

SUGGESTED REVISIONS- We do not feel that any of our suggestions will be original as we believe that their merit will have been already recognized by the Commission.

(a) Simplification of Freight Tariffs - It is most difficult for the average citizen to understand why the freight rate structure of the railroads has to be so

complicated and complex. Very few, if any, small business concerns or individuals can take the time or, can afford the services of an expert traffic man to continually check the rates charged, but most merely accept such charges as presumably correct. Even though the proper rate has been applied according to the tariff, it still is impossible, in most cases, to judge whether said rate is fair and equitable in comparison with other like commodities, without a most intensive and prolonged study of the freight rate structure.

To our way of thinking the cause for such a confusing array of rates is the addition of so many special rates over and above the regular class rates. We recognize that commodity rates, agreed rates and competitive rates are undoubtedly well justified in themselves, but their tremendous number have made it impossible for anyone but an expert to have a proper grasp on their individual significance or their overall ramifications.

As by far the greatest proportion of railroad freight traffic moves under such special rates, it appears certain that the simplification of such rates would immediately clear up much of the present confusion.

We would like to endorse the idea of extending the already established class rate system so that it would encompass at least, most of the special rates. Such action would certainly simplify the present unwieldy system and substitute a plan that would be much more easily understood by the vast majority of people who must

pay the freight bills.

(b) Standardized Accounting - A great deal of the evidence presented at the Board of Transport Commissioners' hearing held in 1947, had to do with systems of accounting. If the newspaper reports can be used as a guide, there was untold confusion and dozens of conflicting interpretations about such matters as depreciation rates, capitalization, inclusion of outside earnings, difference in accounting practices used by the two major railroads, maintenance accounts and so on. Because of income tax rulings and the accepted practice of chartered accountants, such mix-ups do not appear in other major business concerns. To the man on the street or on the farm it is mighty hard to understand why accounting systems cannot be standardized in the railway companies so that at least there would be a good starting point for establishing proper rates.

(c) Competitive rates - We are given to understand that the big bulk of railroad freight moves under competitive, commodity or agreed rates. Such rates, we believe, in most cases, are initiated at will by the railroads, under nominal approval by the Board of Transport Commissioners. No doubt such rates account almost entirely for the proportionally lower rates in the east. We feel that such an important matter should have further clarification and should come under proper and complete review by the Board before being instituted. Furthermore, we feel that such rates should be regularly reviewed at stated intervals by the

Board, to make sure that the justification for such lower rates still exists.

(d) Purchase of truck lines by railroad - the railroads have already purchased several truck lines in western Canada and no doubt are interested in bringing under their control, further trucking franchises. Truck competition appears to be one of the main ways to bring about a reduction in freight rates but if the trucking industry is brought more and more under the control of the railroads, then such competition would finally disappear. We therefore feel that the Commission should carefully consider whether it is to the best interests of the country to permit the entrance of the railroads into the trucking field.

(d) Easier Right of Appeal - Although the services of the Board of Transport Commission are available to all citizens for the purpose of reviewing freight rates there are few people who can undertake the expense and time to present their cases. In particular, the small business boncern or the individual citizen is placed in a disadvantageous position. The cost of compiling the necessary evidence, plus the travelling costs to Ottawa, are almost insurmountable barriers. We would suggest that the Board should maintain an office in each province for the purpose of giving information and preliminary studies to the freight problems that arise from day to day. Many difficulties and misunderstandings could be ironed out at this level. Small companies and individuals would have an impartial representative that could be turned to quickly and at low

cost.

(f) More Active Investigation - We understand that very wide powers have been given to the Board of Transport Commissioners primarily to protect the public from excessive charges for transportation. When objection is taken to a rate, by some individual group or corporation, we understand the Board reviews the arguments put forth by the objector as well as those advanded by the railroads, and, in due course, renders a decision. This appears a most reasonable procedure except that the railroads are all supplied with proper legal talent, freight rate experts, and finances that make certain a much more effective presentation than can usually be mustered by the opposition. No doubt the Board takes these factors into consideration to some degree and quite probably makes some independent investigation before rendering a decision. However, the important point is that unless there is active opposition of some sort the Board is lead to believe that the increased rate is quite acceptable. We are told that there are over 30,000 changes in the freight tariffs every year. Only a small fraction of this number are contested, simply because the freight-paying public is unable to cope with such a large and complex matter.

As public representatives, the Board of Transport Commissioners is the only logical group to study, examine and review all freight rate changes, whether or not any official complaints have been received. It

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should not only be a matter of investigating freight rate changes suggested by the railroads but also the continuous study of presently established rates to see if they can be adjusted due to changing conditions.

We believe such activities are carried on by the Board to a limited degree at the present time, but it is our sincere belief that this work should be greatly intensified so that as public representatives, the Board may accomplish its purpose to the fullest possible extent.

If the powers granted to the Board by Parliament are insufficient to effectively pursue such a program, we respectfully submit that said powers should be broadened. If the staff and finances of the Board are insufficient to perform such duties, we are certain that such deficiencies can be remedied.

In conclusion we can only emphasize that the many members of our organization are very concerned about this vital matter of freight rates and it is their sincere hope that a much improved system of devising and controlling such rates will be established for the future.

All of which is respectfully submitted.

MANITOBA CO-OPERATIVE WHOLESALE LIMITED

MR. SHEPARD: Q. Mr. Chairman, there are just one or two questions I would like to ask Mr. Chown before the others question him. Would you look at page 4 of your brief, Mr. Chown, where you make reference

that you endorse the idea of extending the already established class rate system so that it would encompass at least most of these special rates. I presume that you have in mind that the present class rate system, being classes 1 to 10 - the suggestion is that you would extend that downward, so that the lower classes would take in more of the commodities which are now moving on special commodity rates.

A. Yes, that is my suggestion.

COMMISSIONER INNIS: Q. You mean more than ten classes?

A. Yes.

MR. SHEPARD: Q. And then at the top of page 5 you refer to competitive rates and you say:

> "Such rates, we believe, in most cases, are initiated at will by the railroads, under nominal approval by the Board of Transport Commissioners."

I suppose that, while probably you have no great detailed knowledge of the mechanics that the Board follows, I suppose you have some impression of how their approval is given. So could you tell the Commission your understanding of it?

A. Frankly, I am rather confused myself, because anyone I seem to ask about this particular question seems tostate that some rates were definitely under the control of the board, and the Board had certain powers in other rates; and I gathered that those agreed, and commodity rates and competitive rates were more or less nominally approved by the Board, and that there was no

active investigation of them.

Q. That is, as long as nobody appealed to them the Board merely rubber-stamped them, if they were agreed to by the Railways and the shippers themselves?

A. Yes.

Q. Near the bottom of the page under the paragraph headed "Easier Right of Appeal" you say:

"The cost of compiling the necessary evidence plus the travelling costs to Ottawa, are almost insurmountable barriers."

You are probably familiar with the fact that there are local hearings; but you still are not excused from your local hearings. On occasion you still are not excused the cost of compiling the evidence to enable you to put your case forward.

A. That is correct.

MR. SHEPARD: Yes, I think that is all I have, Mr. Chairman.

THE CHAIRMAN: Does anybody wish to ask questions.

MR. O'DONNELL: Q. And in that respect you are no different, Mr. Chown, to anyone who has a complaint to make, for instance, in a court. The plaintiff must bring in his evidence to support his complaint.

A. That is right.

Q. Now in respect of competitive rates which are referred to at the top of page 5, did you understand that the Board fixes just and reasonable rates, so-called, under the Act?

A. A ceiling rate?

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Q. Yes. What objection have you to the railways negotiating or arriving at a rate which is under a just and reasonable rate? They may exact up to that ceiling; but what objection is there? Rather than lose the traffic and the resulting revenue, they put in a rate which will save the traffic and save therevenue, and thereby make a contribution to the Treasury and keep the average rates down for everybody else.

A. If you look at the broad picture; but that is one of the things we object to in the west, with these continual lower rates to meet competition in the east, mostly in the east; that is all very well, except that out in the west, having no advantage that way, we lose out all the time. We would like to know that our representatives, the Board, are thoroughly investigating all these things to make sure that they are necessary and that there is actual competition.

Q. If there is not actual competition, you can complain. Anyone who suggests there is no competition can complain and the rate would have to be removed or adjusted.

A. That is true.

Q. You say at page 5 that truck competition appears to be one of the main ways to bring about a reduction in freight rates. Are you in favor of truck competition?

A. Yes, I am if it is going to result in lower freight rates in the west.

Q. But as a matter of principle, are you in favor of truck competition wherever it may be.

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A. Surely.

Q. And the fact that there happens to be truck competition in one part and not in another part would not causeyou to change your view on that, in principle?

A. No.

Q. And wherever truck competition may affect the transportation picture, you are in favor of allowing it to prevail?

A. Yes.

Q. Then, that being the case, do you think the railways should endeavour to meet that competition wherever it may be just as a matter of principle?

A. It is up to the railroads, if theyfeel that they want to meet it.

Q. And if they feel that they should not meet it, then it is all right with you?

A. That is right.

Q. That is fair enough . Well, if they don't meet, it they lose the revenue which contributes to the overall transportation costs, do they not?

A. Of course, If you get down to competition, it may be that the trucks can operate at such lesser costs that the railroad would lose money to compete with them, which means that it has an opposite effect.

Q. That is true, and that is the problem. I ask you then if you think the railways should try to pick up as much of the revenue as they can hold.

A. I have no objection to that.

Q. And under the circumstances, where the

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railways think they can make something that will contribute to the overall expenses through meeting competition, you agree that they should be allowed to do so. I would say definitely yes.

Q. Now, at the bottom of page 6, Mr. Chown, you say that the Board of Transport Commissioners is the only logical group to study, examine and review all freight rate changes, whether or not any official complaints have been received. At this particular time I take it that you are aware of the fact that there is an orderin council which provides for a general freight rate inquiry and that the Board has, in fact, initiated that inquiry.

A. No, I am not aware of that.

Q. If you had been, I would have asked you what else, in addition to that inquiry, you had in mind. I would assume from the fact that you did not know there was such an order in council, that that type of general freight inquiry would satisfy you in the circumstances.

A. I do not know anything about a general freight inquiry that you are talking about; but I would assume that it would undertake the work I have suggested.

Q. That would satisfy your suggestion?

A. Yes. My suggestion is for a continuing thing. But a freight inquiry would be a one-shot effort.

Q. I do not know what you would call it, but the Board of Transport Commissioners has continuing supervision over transportation and freight rates, particularly as far as the railroads are concerned.

A. Yes.

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Q. And they have a body of experts and economists, I think, and a bureau of economic transportation which studies - and traffic officers and engineers, they have all those things. Were you aware of that fact?

A. I imagine they should have, but why should we have a special freight inquiry?

Q. Because certain people thought that there should be a more intense examination or something. It could be by name a general freight inquiry. You asked for it and it is now in the course of being held.

MR. FRAWLEY: Who asked for it?

MR. O'DONNELL: The provinces asked for it.

MR. FRAWLEY: Oh! Oh! Oh!

MR. O'DONNELL: Q. They obtained what they asked for, and that now is in the course of being conducted.

A. I apologize for not knowing about this particular inquiry. But I think this should be part and parcel of the show right along, and that these facilities should be available to the Board of Transport Commissioners continually. But I still do not see why we should have to bring in a personal show.

Q. The fact is that the provinces did ask for it, as I understand it, andthe fact is they have been given it.

MR. SHEPARD: What is the source of his information: That the provinces asked for the general investigation which is now pending under 1487?

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MR. O'DONNELL: I will bring the document in which, I submit, there is evidence that the provinces, as I understand it, asked not only for a Royal Commission but asked for an investigation into rail matters; and the government divided the field of inquiry. It ordered the Board of Transport Commissioners to conduct a general freight inquiry. That did not possibly meet the entire requirements of the provinces, and then they ordered this Royal Commission. In any event, the general freight inquiry is now in the course of operation. Does that meet with your view of what you think should be done?

MR. MacPHERSON: In order to keep the record straight, I think the fact is that there was no request by the provinces of a Royal Commission until after the order in council had been passed providing for a general freight rate inquiry.

MR. O'DONNELL: As to the chronology, I am not interested. But the fact is that there is a general freight rate inquiry ordered, and that other inquiry is also ordered.

MR. FRAWLEY: So that the record won't be absent, so far as Alberta is concerned, I would like to say that what Mr. MacPherson has said is what I understand to be the facts, precisely.

MR. O'DONNELL: Q. I am asking Mr. Chown if this Commission should recommend anything more than the government has now provided, and his answer to us is no, I assume.

A. I may be getting beyond my depth. I do not care

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who does the job, but I think there should be a continuing investigation.

Q. That is fine. I agree with you there. Just one last question; page 7, the second paragraph, you say:

"If the powers granted to the Board by Parliament are insufficient....."

I take it you have not examined the powers of the Board and are not in a position to say whether they are sufficient or insufficient.

A. My point is that there seems to be some confusion in the previous freight rate hearings. I tried to pick up a little information for this brief as to just exactly how far the Board did go. I have not read them.

Q. You do not suggest they are not sufficient? You do not know.

A. No; that is why I say this.

Q. Thank you. That is all.

MR. SINCLAIR: Q. Mr. Chown, you are a member of the Winnipeg Board of Trade, are you not?

A. No.

Q. But you know they have a very active organization and are available to assist industry in Winnipeg?

A. I would imagine so, Yes.

Q. You do not have anything to do with them?

A. I do not personally. But we have men in our organization.

Q. I see. Your traffic men likely belong to it?

A. We are one of those little firms which do not own traffic men.

Q. Or the men who look after your traffic?

A. I do not think so.

Q. You know they have Mr. Walker there, who was on the stand yesterday?

A. I was not here yesterday.

Q. But do you know Mr. Walker?

A. I do not know him, no.

Q. You have been a very active person in appearing before commissions and groups, have you not?

A. This is not the first Royal Commission.

Q. No; and you have been in the Co-operative movement for quite a long while?

A. That is right.

Q. And you are one of the senior officers of a certain Co-Operative for quite a few years?

A. Yes.

Q. And you have travelled around and about Manitoba for quite a bit?

A. That is right.

Q. And you are pretty well advised as to what transportation facilities are available in Manitoba?

A. I imagine I know as much as the average citizen.

Q. Perhaps a little more.

A. Well, that may be. I do not know.

Q. And you are president of the Manitoba Co-Operative Wholesale Limited?

A. Yes.

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Q. And it has expanded, has it not?

A. Somewhat, yes.

Q. And has it not substantially increased in 1948 over 1947?

A. That is right.

Q. By one third?

A. Hardly that.

Q. About seven million in 1947 and about ten million now?

A. That is approximately the figure.

MR. FRAWLEY: Have you been reading his mail?

MR. SINCLAIR: Q. Practically all goods sold have to be brought into Winnipeg from a considerable distance and are re-distributed to various country points.

A. That is correct.

Q. Do you sell dry goods?

A. To a limited amount, yes.

Q. And work clothing?

A. Yes.

Q. Do you get any of that from England?

A. Most of it.

Q. That does not come in from the East.

A. That is right.

Q. Do you ship any of that by truck?

A. Oh, yes a good portion.

Q. Practically all?

A. I could not say exactly what proportion, one way or the other.

Q. Now, Mr. Chown, where are some of the places you ship to? Dauphin?

A. Yes.

Q. Neepawa?

A. Yes.

Q. Brandon?

A. Yes.

Q. Virden?

A. Yes.

Q. Tell me some of the points you do not ship to?

A. That should be quite easy. We only have 125 to 130 co-operatives, and there are a lot more points than that.

Q. Tell me one of those points that is not served by a truck line.

A. I imagine that practically all points in Manitoba are served by truck lines; but I do not think that The Pas and Flin Flon are.

Q. But with a very few exceptions, they are served by truck lines?

A. Yes.

Q. And those truck lines, in the major places operate on daily schedules?

A. I do not know. I do not think they are all on daily schedules by any means.

Q. Some of them are pretty substantial organizations, are they not?

A. Some of them.

Q. Take McArthurs, for example.

A. Yes.

Q. If Mr. Shepard wants to go on the stand, I would be glad to ask him these questions, too. Turn to

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page 3 of your brief where you say:

"Here in the West, where competition is apparently too weak to push down most rates, the railroads therefore must retain nearly all the business."

That would apply to quite a bit of stuff moving by trucks, would it not?

A. Yes. If I might interrupt here: Certainly there is a good portion of the goods which do move out by truck. But if you take the major commodities such as gasoline, the big percentage of gasoline is moved by truck line in the East, whereas in the West a good portion of it is moved by tank cars.

Q. Take gasoline from Brandon to Winnipeg. How does that move?

A. We do not bring any from Brandon .

Q. But how does the gasoline move from the distributing places at Brandon and Winnipeg out to the country points.

A. We move some from Brandon by tank truck, but the biggest portion of our haul is by railroad freight tank car movement.

Q. So you were really thinking of gasoline in that statement.

A. That is our big volume of business. I will admit that even in that field we do move some by truck; but a substantial amount of the stuff we do move goes by rail.

Q. You know, Mr. Chown, that the railways have truck competitive rates in Manitoba?

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A. That is right.

Q. And you know, at the present time, there is a differential existing between truck and rail rates?

A. That is right.

Q. In favor of the truck?

A. That is right.

Q. And that was brought about by action of the regulatory body here in Manitoba?

THE CHAIRMAN: By what?

MR. SINCLAIR: By action of the regulatory body here in Manitoba.

the witness: Within the last year or so.

MR. SINCLAIR: Within the last year or so. The application of the truckers for an increase up to the rail rate was reviewed.

A. That is correct.

Q. Isn't that so?

A. Yes, that is correct; they did not give them as much.

Q. So there is considerable truck competition in this province.

A. That is right.

Q. Now will you turn to page 4 of your brief?

THE CHAIRMAN: Are you going to leave the question of truck competition?

MR. SINCLAIR: Yes.

THE CHAIRMAN: I would like to hear more about what is said on page 5, paragraph (d).

MR. SINCLAIR: I was coming to that; I was going to mention that to him.

MR. SINCLAIR: Q. On page 4 of your brief.

Page 400 follows

Q. On page 4 of your brief, under the heading "Standardized Accounting," when you were reading you said, "If the newspaper reports can be used as any guide". Were you wanting to change that word "a" to "any", or was that just a slip?

A. I don't think it would make much difference which way we read it.

Q. I don't know; I just wondered if there was a change intended to be made?

A. No, I did not intend it that way.

Q. Now, you knew -- or did you -- that there was a considerable uniformity in accounting practices now available?

A. Since 1947?

Q. From any years; did you know that?

A. I don't think I follow your question.

Q. For many years there has been considerable ---

A. There has been some uniformity, but it is not completely uniform.

Q. I said considerable, not complete.

A. No, I did not know that. I was just going by what I read in the newspapers. There seemed to be many differences.

Q. Well, about other businesses, you say that other businesses have standardized accounting practices; now, is it not a fact that there are very large differences in accounting practices in various businesses?

A. Well, that,of course, is a very broad subject, and my understanding of income tax rulings is, certainly

in our own organization and affiliated companies, the income tax department makes sure that we follow very standard practices, in depreciation rates which seems to be a bone of contention. We may use different systems to get to the end, but in the end result it seems to me ---

Q. It was depreciation you had in mind particularly?

A. Well, some of these other things. I would not like to get into an accounting discussion, because I don't understand it very well myself.

Q. Well, for instance, would you be contented if the Canadian Pacific followed the depreciation practices that are approved by the government authority?

A. Well, I understand that the government authorities have approved their system; they must have if they are up against income tax, but apparently those systems are so intricate that other people find them difficult to understand.

Q. Then you would not be content with the railways adopting what you do in your business; is that it?

A. Well, I do not say that necessarily what we do is right, but at least our company is comparable to other like companies doing the same type of thing.

Q. On page 5 of your brief, paragraph (d): as you know, Mr. Chown, in Manitoba you have to make out some kind of case to get a licence to operate as a trucker?

A. That is right.

Q. Would you suggest that licences be given to anybody who went up and paid the fee?

A. No.

Q. You would not. Well, wouldn't that increase highway competition if you did that?

A. It probably would, but it might be a short-term competition.

Q. You think that truckers should operate on schedule, and not practise undue preference, I presume; is that what you have in mind?

A. I am not too sure about this whole trucking business, but I would think that is reasonable.

Q. Would you think that untoward truck competition would be a bad thing, too much truck competition?

A. Well, it has usually been found in public utilities of that kind that there has to be some limitation.

Q. Well, do you think that a truck line that provided regular service at the scale of rates approved by the Manitoba Board would be a good thing from the point of view of service?

A. Well, that goes back -- it has been changed now, but my opinion in the past was that we did not get competition here in the west because provincial governments set the rates for the trucks the same as the railroads. There is a slight differential there now.

Q. Do you think the cost of service principle should be applied to trucking rates?

A. Yes.

Q. Do you think that they should bear their full proportion of the cost of construction and maintenance of highways?

A. I would think so, yes.

Q. Do you know the service provided between Brandon, Boissevain and Killarney by the Canadian Pacific trucks?

A. I know it is there, yes.

Q. Why would you suggest to the Commission that it would be in the best interests of the country not to permit railroads into the trucking field?

A. Well, simply as I have stated in the brief. We are told by railroad people that the reason for substantially lower rates in the east is the water and truck competition. Now, we are not likely to have water competition out here, but in spite of the amount of truck competition we have to-day we could have possibly a great deal more, and if we did have it presumably you would bring in these competitive rates that you have been speaking of and we would all enjoy low rates.

Q. I thought you agreed with me that there was a tremendous amount of truck competition in Manitoba, that there was hardly a point where there was not competition?

A. Agreed that there is lots of truck competition, but there still could be lots more truck competition. Up to to-day the type of truck competition, as I understand it just travelling around, is mainly what I think is termed package freight, I mean it is mostly small packaged goods, whereas in the east I have seen these milk trailers moving around and other types of transport like that -- fields that are hardly entered into here.

Q. Well, let us take milk; how much milk do you think would come in from the Winnipeg milk-shed by rail?

A. I have no idea.

Q. Would you be surprised if I told you it was a very, very small percentage?

A. I would be.

Q. It mostly comes by truck, Mr. Chown.

A. Well, just as a matter of personal information, I would think of these huge transports picking up all over the country, and huge tank trucks that carry milk, and things like that.

THE CHAIRMAN: Mr. Sinclair, this brief says that the railroads have already purchased several truck lines in western Canada and so on; that is a fact, is it?

MR. SINCLAIR: Yes, sir.

THE CHAIRMAN: And are the rates fixed by the Provincial Board?

MR. SINCLAIR: Where the traffic is handled, sir, from the point of origin to point of destination by truck, the rate is under the jurisdiction of the provincial regulatory board.

THE CHAIRMAN: Where does that jurisdiction end, talking now within Manitoba?

MR. SINCLAIR: I would say, sir, that jurisdiction would not extend on the movement of goods beyond the Province of Manitoba or internationally, nor would it apply on goods that were moving part rail and part highway on one continuous billing.

THE CHAIRMAN: Well, is your railway operating trucks between points in Manitoba and points outside Manitoba?

MR. SINCLAIR: Yes, we operate from Winnipeg

through Brandon to Weyburn, Saskatchewan; that is the only one from Manitoba to another province, but farther west we operate interprovincially between Alberta and Saskatchewan.

THE CHAIRMAN: How are the rates governed on that interprovincial traffic?

MR. SINCLAIR: There is no authority over those rates, sir.

THE CHAIRMAN: You just fix them yourself.

MR. SINCLAIR: From point of origin to point of destination by truck interprovincially,there is no fixing of those rates; they are fixed by the trucker. We fix them.

THE CHAIRMAN: Are they uniform for all shippers, or have you agreements about them?

MR. SINCLAIR: Well, there is a uniform tariff that is published in interprovincial trucking, for the movement of household goods right across the three prairie provinces. That was done by agreement by the truckers, and it is all published, and it is even filed with the boards of the three prairie provinces. Our company certainly gives the same rate to every person for the same movement of the same goods; I cannot speak for others.

THE CHAIRMAN: It may be well for us to get more complete information. You might follow that up, Mr.Covert.

MR. COVERT: Yes, sir.

THE CHAIRMAN: All right, thank you. Does anybody else wish to question him?

COMMISSIONER INNIS: I should like to raise one question, as to the interest in passenger traffic. I noticed in Mr. McConnell's brief there was some reference

at the very end, and in your brief there is a very great emphasis on freight. Does that mean that there are no problems in the passenger field?

A. I do not doubt, doctor, that there is, but I did not come prepared to submit anything on that.

THE CHAIRMAN: All right.

THE WITNESS: Thank you, sir.

MR. COVERT: Mr. Chairman and Commissioners, there has been a change in the order; the next brief is that of the Co-operative Vegetable Oils Limited.

MR. SHEPARD: Mr. Chairman, we are introducing at this time Mr. D. K. Friesen, who has been Manager and Secretary-Treasurer of Co-operative Vegetable Oils Limited. Mr. Friesen is from Altona, Manitoba, where his plant is situated, and he would like to get back to-day; that is why we are putting him a little bit ahead.

DAVID K. FRIESEN, called

MR. SHEPARD: Would you read your brief, Mr. Friesen?

THE WITNESS: Mr. Chairman, we respectfully appear before the Royal Commission on Transportation for the purpose of informing the Commission how the present freight rates adversely affect industries situated in Manitoba, especially that of Co-operative Vegetable Oils Limited, Altona, Manitoba.

Our industry was established during the war at the instigation of the Federal Government, to provide a source of edible oil in Canada. The war in the far

East, and the shortage of edible oils in the western hemisphere created a serious problem for the Canadian Government. Prior to the war all edible vegetable oils were imported from other countries.

The government's efforts to establish a source of edible vegetable oil in Canada resulted in three oilseed crops being grown on a commercial scale. One was the sunflower crop on the prairies, a second was soy beans in Ontario. The industries erected to crush these two crops found a ready domestic market for the oil. The third crop was rapeseed, grown mainly in Saskatchewan. The oil from this crop was mostly all exported.

Canada consumes about four hundred million pounds of edible oil annually. As an aid to the war effort our farmers, after a hard struggle, established an industry which has in the past crop year produced about nine million pounds of the finest edible oil. It has expanded from year to year and we hope to double our production in the coming crop year.

Most of the seed is produced within a radius of ahundred miles from Altona although some carloads have been brought in from Saskatchewan and Alberta. Co-op. Vegetable Oils is owned and operated by a group of about 1600 farmer shareholders, most of them producers of sunflower seed.

The bulk of our products are shipped to the more populated areas in Eastern Canada and to the West Coast. Since last October we have been shipping four tank cars of oil a week, in addition to about five carloads of meal a week. We also produce twenty tons of fuel a day from

our waste product. We do not wish to further comment on the freight rates of the latter two products.

Then, Mr. Chairman, with your permission I would like to make some changes in the next paragraph from what is in the brief. However, we would like to respectfully point out a disparity in freight rates on vegetable oil. The railways have published a rate on this oil of $1.38 cents per hundred pounds, tank cars, from Altona to the following destinations: Toronto and Montreal, and $1.36 to Vancouver. The freight rate on vegetable oils from Vancouver to Toronto is $1.10 per hundred pounds. I would like to delete the next sentence.

We are in a position to supply Canadian markets on a competitive basis with imported oils, but we feel that the rates which we must pay are working a distinct hardship on us and, that the lower rates quoted by the railways on overland (I mean transcontinental) shipments are discriminatory to Manitoba industries.

May I also emphasize the fact that the traffic which we have given the railways would not exist if our industry had not been established here. Furthermore, unless we are able to compete with other sections of Canada that enjoy a cheaper freight rate, we may have to cut down our business as well as the good volume the railways now enjoy.

I do not know whether the Commission is concerned with international freight rates, but I would like to point out that cottonseed oil, comparable to sunflower seed oil, can be laid into Toronto from Memphis, Tennessee, a greater distance from Toronto than Altona, for 89 cents

per hundred pounds.

In conclusion, may I state that we are not asking the Commission to settle our particular freight rate question, rather, that when the Royal Commission on Transportation is preparing its recommendations, that consideration be given to the problems which face Western industries such as ours. I would like to emphasize that the Commission might recommend that this type of situation should be taken care of.

MR. SHEPARD: Mr. Chairman, I would like to ask just one or two questions.

EXAMINED BY MR. SHEPARD

Q. Mr. Friesen, I take it that you have prepared this brief solely for the purpose of indicating what to your own knowledge in your own business is occurring?

A. Correct.

Q. With reference to the freight rates, it is an illustration, let us say, of the difficulties that a local western industry has in starting up and meeting the competition that it mustmeet?

A. Especially outside of larger areas; and, while we are in a small village, that situation is possibly greater than it would be even in the cities.

Q. And you are not coming before this Commission with any profound knowledge of freight-rate structure generally; you simply wanted to state your personal knowledge of your own situation?

A. I think that is right.

CROSS-EXAMINED by MR. FRAWLEY

Q Mr. Friesen, your problem is with this trans-continental competitive tariff?

A. That is one of our problems.

Q. And you say that you are in a small place; Altona is in Manitoba; well, if you were in Winnipeg you would have the same problem?

A. Yes, in that particular case; on the items that I mentioned we would.

Q. I mean to say, I put it to you that your principal burden, your principal problem, is the trans-continental freight tariff?

A. Yes.

Q. So that you would have that same problem if you were situated in Winnipeg?

A. Quite.

Q. You would have the same problem if you were in Regina?

A. Yes.

Q. You would have the same problem if you were in Calgary?

A. Correct.

Q. I mean, you know that this transcontinental rate is so low that it would affect you as it affects you now, only not exactly the same, whether you were in Winnipeg, Regina or Calgary; is that right?

A. Yes.

Q. Now, have you examined how that rate of $1.10 got into the tariffs?

A. I know nothing about it, sir.

Q. You do not know how long it has been there?

A. No.

Q Do you know the name of the tariff in which one would find it?

A. No. I do not profess to be an expert or to know very much about freight rates.

Q. And you do not know whether that particular tariff is at the moment being subject to further review?

A. No, I do not know that.

Q. You changed the figure from $1.05 to $1.10, and I wondered whether that was because you had looked at it recently?

A. No; I was corrected in that. I got the information from our office, and we in turn get it from the local agent, and have sometimes not been quoted the right rates.

Q. But really, Mr. Friesen, you are not in a position to discuss that transcontinental tariff very completely at all?

A. No; I do not know anything about it.

CROSS -EXAMINED BY MR. EVANS

Q. Would it be fair to say that you have a big demand for your product, Mr. Friesen?

A. At the moment, yes.

THE CHAIRMAN: What was the question?

MR. EVANS: The question was, would it be fair to say that he had a big demand for his products, and his answer was yes.

THE WITNESS: At the moment, yes.

MR. EVANS: Q. This is the first time I have seen your brief, so forgive me if I am not very clear about it, but I gathered from hearing you read it that you have in mind a substantial growth in the future?

A. Yes.

Q. That would be due to a demand that you can see now, I suppose, would it.

A. Yes.

Q. Is there as much produced of these vegetable oils in the east as there is in the west? Just give me a rough idea; I do not know anything about the business.

A. No, I am not quite certain. It is a different oil as produced there, it is a vegetable oil as well, soy bean oil, and I think it is about the same volume as ours. However, there are also beans imported and crushed there, so that we do not have the correct figures on the Canadian production.

Q. Do you export out of Canada?

A. We have not exported sunflower seed out of Canada.

Q. The oils?

A. No.

Q. Is there much import in Canada from the United States?

A. Yes.

Q. Is it that kind of oil that you are speaking of that comes in from Memphis?

A. Similar oil, yes.

Q. It is not quite the same, though, is it?

A. No.

Q. Are the two competitive?

A. They are competitive in price.

Q. In price and in quality?

A. And in quality as well.

Q. And there are the same general purposes of use, are there?

A. Well, they are edible oils; they vary as to the uses to which they are being put, but they are edible oils.

Q. But you consider them competitors of yours?

A. Yes.

Q. And is it duty-free into Canada at the moment?

A. Some of the oil comes in -- for certain purposes it comes in duty-free, and there is a duty for other purposes.

Q. I wonder if you would help me and tell me what purposes are duty-free and what ---

A. Soy bean and cottonseed oil come into Canada at 10 per cent duty, but soy bean oil ---

THE CHAIRMAN: Q. Ten per cent?

A. Ten per cent duty; but soy bean oil coming in for the paint trade or for fish packing, that is, for sardine canning, I understand, comes in duty-free, and there are other variations that I do not know too much about.

MR. EVANS: Q. You are particularly concerned with edible oils, I gather?

A. Yes.

Q. And when you speak of edible oils you do not include the paint?

A. Well, yes, soy bean oil is used both as an edible

oil and as a paint oil.

Q. So it is dependent on the use to which it is put?

A. Quite.

Q. Whether the duty is imposed or not?

A. Yes.

Q. What is the biggest use for your edible oil at the moment? Is it margarine?

A. No; well, it is salad oil, margarine, shortening.

Q. For those, the oil comes in from the United States?

A. Yes.

Q. Free?

A. No; 10 per cent.

Q. Ten per cent; then you have that advantage over the American producer?

A. That is right.

Q. And I suppose it would be fair to say that the advantage of that kind is perhaps of greater importance than the difference in the freight rate from Memphis, is it?

A. No.

Q. You would not consider that the difference -- about 50 cents, is it? That is to say, shipping to Toronto and Montreal, the difference is about 50 cents?

A. In the freight rate?

Q. Yes; between your shipments here to Toronto on the one hand and the shipments from Memphis which you were discussing on the other, about 50 cents against you?

A. That is right.

Q. Now, just as a rough idea what is the value per pound or per hundred pounds of your commodity?

A. That varies; the market has varied considerably. It has varied anywhere from 25 cents to 11 cents in the past four or five months, so that I cannot give you ---

Q. What is a good price for it now? What is it?

A. About 11 or 12 cents.

Q. Eleven or twelve cents a pound; and it has gone down in the past year, has it?

A. Yes.

Q. And has that been due to imports into Canada or your greater production?

A. No, it is a world situation, and vegetable oils are practically the only food commodity that has gone down to a pre-war level.

Q. And yet the demand at the moment is high?

A. The demand is always high in Canada, because we do not produce enough edible oil for domestic consumption.

Q. Thank you very much.

MR. O'DONNELL: I have no questions.

MR.THE CHAIRMAN: Mr. Covert, is there anything you have to ask?

MR. COVERT: No, Mr. Chairman.

THE CHAIRMAN: All right, thank you very much.

MR. COVERT: The next submission is that of the Canadian Co-operative Implements Limited.

JOHN B. BROWN, called

MR. SHEPARD: Mr. Chairman, this is Mr. John B. Brown, who is the President of the Canadian Co-operative Implements Limited.

THE WITNESS: Mr. Chairman and Commissioners: I should like to draw to the attention of this Commission the fact that I appear before it not as the head of a machine company engaged in the selling of farm machinery, but as the democratically elected head of a company set up, owned and controlled by fifty thousand western farmers for the purpose of enabling them to purchase their farm machinery co-operatively.

This is mentioned to make clear the difference in the position of this company to that of all joint stock agricultural machinery companies in the matter of freight charges. Freight charges, and increases in those charges, are of little concern to farm machine companies. They just pass them on to their farmer customers.

The customers of The Canadian Co-operative Implements Limited are also its owners. After all costs of operation of the company are met, including of course freight charges, the net savings are returned to the customers in the form of patronage dividends. So, as the agent of its customers this company absorbs all freight charges. They cannot be passed on.

Before dealing specifically with farm machinery freight rates, I should like to express a few general opinions on the incidence of freight charges on the West in general and on the Western farmer in particular.

It is, I am sure, unnecessary to emphasize here the great importance of freight rates to the Western farmer. Because of the distance from the market the charges must at best constitute a great burden to him.

There can be few places anywhere where people are so conscious of freight charges as in Western Canada. Ask any farmer the question "what is your freight rate?" and he will tell you at once. His "freight rate is the rate on grain from his point to the terminal. He knows what he pays on the cattle he ships and the machinery he buys.

Speaking as a farmer and as a representative of farmers, I would say that the Western farmer does not look for any special concession or advantage in the matter of freight charges. While willing to accept his full share of the responsibility for the maintenance of our transportation systems, he is not prepared to agree that he should be required to do more than this. He has always felt that he has been called upon to carry more than his fair share of this load. He feels too that in the event of any further increase in freight rates his load will become proportionately still heavier because of the lack of competition in haulingl

Until recently all this was little more than a feeling. No one took the trouble to dig out the facts.

But when the railroads made application in 1946 for a 30 per dent increase in freight rates it was soon demonstrated at the hearings of the Board of Transport Commissioners which followed, that there existed sound grounds for the feeling.

Mr. R. E. Moffat, representing the Province of Manitoba, was able to prove that the Western average freight rates were 14 per cent above the Eastern average freight rates. This despite it being obvious to any layman that

construction and maintenance costs should be markedly lower in the West.

The building of the C.P.R. transcontinental railroad was a most significant event in the life of this Dominion. As a result of the lack of faith in the economic possibilities of the prairies, except in the minds of relatively few, it became necessary for the government of Canada, in order that the road might be completed, to hand over to the C.P.R. some twenty-five million dollars in cash, twenty-five million acres of land, and thirty-five million dollars in constructed railroad.

The history of the West and of the C.P.R. has demonstrated that this lack of faith was ill-founded. The profits of the C.P.R. later demonstrated that there was no necessity, other than to bolster the courage of the investors in its stock, for any such vast assistance on the part of the Dominion Government.

Western Canada is a land of sharp contrasts. It enjoys great natural advantages but also labors under profound disadvantages. Among its advantages is the possession of a huge area of fertile and easily worked soil. The lure of free land has attracted the most energetic and courageous of the peoples of Europe and other parts of this continent. The ownership and working of their own freeholds, the isolation of their lives, the stimulating effect of the climate, have all combined to enhance their inherent energy, courage and resourcefulness.

It has required all of this to overcome the great disadvantages under which the West has labored. The short summers, the scanty rainfall, the various insects and other pests and hazards, the long and bitter winters, plus the great distance from the world's markets, constitute handicaps that eliminated the weaklings amongst the settlers.

The foregoing constitute the main advantages enjoyed and disadvantages suffered by the Western farmer, with one important exception. This exception is the advantage of possessing a level terrain, which made possible very low costs of construction and maintenance of railroads. This should have resulted in transportation rates which conformed to the actual costs and the enjoyment by the people of the West of an advantage they could ill-afford to forego.

But with transportation rates determined by competition and the railroads occupying a quasi monopolistic position in the West as the result of lack of competition, the net result has been that the West, over the years, has constituted the main source of railroad profits.

No one disputes the necessity for the railroads making ends meet and providing a fair return to their shareholders, but it is submitted that the provision of these requirements should fall equitably on the people of Canada.

The first transcontinental railroad was built to serve two purposes. First, to hold the Dominion together and second, to make profits for its owners. It

has succeeded in both purposes, but greater success a would have been achieved in the development of the feeling of national consciousness and the sense of unity which is so needful for Canada yet so difficult to attain in a country of such sharply separated economic areas and resultant interests, if the rankling sense of injustice in the incidence of freight charges had not persisted in the mind of the Western farmer. The providing of a protected market for Eastern manufacturers and the provision of railroad revenues out of proportion to the cost of the service, has made him feel that the East regards the West as an economic hinterland.

Now with particular regard to freight charges on agricultural machinery. Agricultural machinery has always enjoyed a special rate from the East to Winnipeg. From Winnipeg West the charges have been based on sixth class rate. In November last year the railroads made application to the Board of Transport Commissioners for the cancellation of this special machinery rate. The Board approved the application, but later suspended it. We are advised that this matter will be further considered by the Transport Commissioners next September.

As already pointed out, the special agricultural machinery rate extends only as far as Winnipeg. This rate was established in 1922 and, it can be assumed that the railroads found the rate profitable enough because never, until the application of last November, did they attempt to have it cancelled. It is significant in this connection to note that bar steel, the chief component of agricultural machinery, has always been carried

from the East to the West at virtually the same rate as that on farm machinery. The railroads are apparently satisfied with this rate as no application for any change has yet been made. It should be noted in this connection, however, that bar steel lends itself readily to lake transportation and the all-rail rate conforms to this competitive rail-lake charges.

Another point worth mentioning is that, under the Crows Nest Pass Agreement, prior to 1922, farm implements enjoyed a still more preferred rate. The increase from this rate to the rate in effect following 1922 amounted in the case of certain implements to as much as 40 per cent.

It is submitted that the railroads should be required to show justification for the change in rate classification on farm machinery West of Winnipeg. In view of the fact that the cost per ton-mile is reduced as the length of the haul is increased, it is difficult to conceive of any logical explanation for the discrimination against the Saskatchewan and Alberta farmers that is involved in this practice.

For your further information in this matter, a table showing the old rates, the present rates and the rates which would obtain if the present applications of the railroads were granted, is appended to this submission.

It can be seen from this table of rates that if the special rate on farm machinery were cancelled, and if the present application of the railroads for a 20 per cent increase were allowed, the increase in freight

charges on farm machinery over the rates in effect April 1948 would amount to 77.45 per cent on the haul to Winnipeg and 45.2 per cent on the haul west of Winnipeg.

In this connection it should be borne in mind that as the result of the great increase in farm mechaniaation, and particularly as the result of the passing of the flesh and blood horse and the introduction of the iron horse, a very substantial increase in the volume of rail traffic in farm machinery will permanently be maintained. Further too, with the motive power supplied by gasoline instead of oats, both the gasoline and the oats will require to be hauled, thereby adding to the volume of rail traffic.

Some substantiation of all this can be found in the increase in sales of farm machinery in Western Canada during recent years. In 1948, for example, sales of farm machinery amounted to twice the physical volume of the 1920's.

The Western farmer is relatively prosperous to-day. He could conceivably stand higher freight rates. But for how long? In the past he has sold his produce for years on end for less than the cost of production. He may do so again. In any case, he will not much longer enjoy the combination of good crops and good prices which he has in recent years enjoyed. In bad years, as in good years, the goods must be hauled and the railroads secure their steady return.

To sum up, the West deserves (a) by virtue of the great natural advantage of level terrain, and (b) by

virtue of the importance of a prosperous agriculture to all of Canada, the lowest rates consonant with good railroad service and fair compensation for that service. Anything less will exacerbate the feeling of resentment felt in the West and will tend to widen the gulf between us and the East. It is respectfully suggested that a great good can be done for Canada in the removal of any injustices in the matter of Western freight rates.

	Agricultural Machinery rates prior to April 1948	Rates now in effect	Rates in effect if special rate cancelled and if present application of railroads for 20% increase granted
Brantford-Winnipeg	$ .825 per 100 lbs.	$1.00 per 100 lbs.	$1.46 per 100 lbs.
Brantford-Saskatoon	1.395 "	1.69 "	2.29 "
Brantford-Edmonton	1.635 "	1.98 "	2.42 "

EXAMINED BY MR. SHEPARD

Q. Mr. Brown, I think it would be fair to say that your brief is divided roughly into two parts; the first three and a half pages down to the beginning of the second paragraph on page 4 includes a few general opinions, and then you deal more specifically with the matter of farm machinery rates, agricultural machinery rates. I presume, Mr. Brown, that your general opinions are based on your own experience, first as a farmer for a good many years in rural Manitoba, and more recently as a business man, with the contacts that you have made in that business?

A. Correct.

Q. And you are not holding yourself out as a technical expert on the solution of Canada's railway problem?

A. Not at all.

Q. But you have some more direct personal knowledge on this matter of what has gone on and what is going on with reference to rates on agricultural machinery?

A. Yes.

Q. I think that is all.

CROSS-EXAMINED BY MR. FRAWLEY

Q. Mr. Brown, will you tell me something about your company; you are a wholesale company, are you?

A. We are both a manufacturing and a distribution company.

Q. And you distribute through outlets all through the prairie provinces?

A. Yes.

Q. How many outlets would you have in Alberta?

A. Approximately 200.

Q. Those are retail outlets?

A. They are order-taking sources. We distribute our machinery direct to our members. We have through the prairie provinces order-takers who are local co-operative societies and elevator agents.

Q. I see you have not any warehouses?

A. None, except five warehouses located in the five main cities in western Canada -- here, Calgary, Edmonton, Regina and Saskatoon.

Q. And you say you do some manufacturing?

A. We do quite a bit of manufacturing here in

the City of Winnipeg.

Q. It is only in Winnipeg that you manufacture, is it

A. Yes.

Q. What percentage of your total yearly business would be your own manufacture?

A. About a third.

Q. About a third; the balance you purchase?

A. From Ontario.

Q. Do you deal in any American machinery?

A. Not at all.

Q. You sell no machinery which is made in the United States?

A. No.

Q. You sell some tractors to your members, do you?

A. Tractors are manufactured in Canada.

Q. At what place?

A. Brantford.

Q. And how long have they been manufactured, Mr. Brown?

A. About eighteen months.

Q. You have been in business longer than eighteen months?

A. Yes, more than four years.

Q. Before that where did your tractors come from?

A. All the tractors have always come from the United States, with the exception of the tractors that are now manufactured by the Cockshutt Company at Brantford.

Q. But you still do not bring in any tractors from the United States?

A. No.

Q. So then you are not concerned really, Mr. Brown, '

with the make-up of the rate on farm machinery from the United States factories moving into Western Canada?

A. Yes; we are not as a company, but as a representative of the farmers, we are.

Q. Now, will you just in a word explain the make-up of that rate on say a tractor moving from Rock Island, Illinois, to Saskatoon?

A. As I understand it that tractor when it crosses the border comes under the sixth class rate.

THE CHAIRMAN: Q. It comes under what?

A. The sixth class rate.

MR. FRAWLEY: Q. I just want to understand what you mean by the sixth class rate. I understand that is what is called under the Railway Act the standard mileage class rates?

A. I am not sufficiently familiar with the Act to know that.

Q. Do you know it is the highest rate in the book? I mean, it is sixth class of the maximum rates -- put it that way?

A. That is right.

Q. That is right, isn't it?

A. Yes.

Q. Have you ever had occasion to discuss with the railways the necessity or the reason for that obstacle that the American machinery has to meet at the border?

A. No.

Q. Well, of course, not selling any you are perhaps not very much interested.

A. In exporting, in shipping the machines that are manufactured here at Winnipeg to our branches or members in Saskatchewan and in Alberta, we do not altogether like the idea of paying the full sixth class rate on those machines, where we bring other machines from Ontario at the special agricultural machinery rate.

Q. Just one other question: there is no duty on farm machinery coming in from the United States?

A. Not for the last five years, to the best of my knowledge.

Q. Five years?

A. About five years, I think; before that time there was duty.

Q. So that so far as Canada's fiscal policy is concerned, the western Canadian farmer is as free to buy his machines manufactured in the United States as manufactured in Canada?

A. That is correct.

THE CHAIRMAN: Anybody else?

MR. O'DONNELL: Merely one question, Mr. Chairman.

CROSS-EXAMINED BY MR. O'DONNELL

Q. On page 2 of your brief, Mr. Brown, there is a sentence reading as follows:

> "Mr. R. E. Moffatt, representing the Province of Manitoba, was able to prove that the Western average freight rates were 14 per cent above the Eastern average freight rates."

I take it that is something which somebody told you; I mean, you personally have no knowedge as to what Mr. Moffat was

able to prove or what he contended or what he thought he could prove or anything else?

A. No one told me that; I read it in the report prepared by the Government of Manitoba.

Q. Oh, I see; and that is the source of your information?

A. It is.

Q. Did the report of the Government of Manitoba also point out to you that the railways very seriously contested Mr. Moffat's contentions?

A. No; no one ever told me they disproved it, anyway.

Q. They, I take it, though,mentioned that the Board of Transport Commissioners in the first instance found that the rates should be increased right across the board at 21 per cent, despite Mr. Moffatt's contention.

MR. FRAWLEY: Under review.

MR. O'DONNELL: Yes, under review, that is true.

Q. And I take it likewise that you know nothing about the method Mr. Moffatt used in support of his contention?

A. No.

Q. Thank you, Mr. Brown.

MR. SINCLAIR: Just two questions, Mr. Chairman.

CROSS-EXAMINED BY MR. SINCLAIR

Q On page 4 of your brief:

"Now with particular regard to freight charges on agricultural machinery. Agricultural machinery has always enjoyed a special rate from the East to Winnipeg. From Winn peg West the charges have been based on sixth class rate."

Now, shouldn't that read "sixth class rate, distributing rate"? That is 15 per cent below the class rate.

A. It may; I could not say.

THE CHAIRMAN: What do you call it, Mr. Sinclair?

MR. SINCLAIR: The distributing rate.

THE CHAIRMAN: You call it a sixth class distributing?

MR. SINCLAIR: Yes.

Q. And that same basis applies from all distributing points on the prairies; that is right?

A. Yes.

Q. Now, just one more question. You say at the beginning of the next paragraph:

> "A special agricultural machinery rate extends only as far as Winnipeg."

Now, I put on the record a statement concerning that this morning -- I don't know whether you were here, but the facts are -- possibly you did not know it; no doubt you did not, or you would not have put this in here -- that that special rate applies to all points from the area from which this machinery is shipped, for instance, Brandon, Souris, Regina, Mosse Jaw, Weyburn, Swift Current, Medicine Hat, Calgary, Lethbridge, Red Deer, etc.?

A. I do not quite follow you.

Q. Now, the special rate on agricultural machinery from Eastern Canada -- those points I have just mentioned -- you are thinking of bringing it to Winnipeg and then distributing it; is that it, or are you shipping it direct from the East to these points?

A. We bring quite a substantial volume of machinery from Eastern Canada and place it in Winnipeg, Saskatoon, Regina, Cal ary and Edmonton. We also ship out of Winnipeg a considerable volume of our own manufactures to those various distribution points, and the difference in the rate from Winnipeg through Saskatoon is precisely the same as the difference between the rate Brantford-Winnipeg and the rate Brantford-Saskatoon. If you will look at a table we have here at the back of the brief, the Brantford-Winnipeg old rate was 82 1/2 cents per hundred, and the rate to Saskatoon was $1.395 per hundred. At the present time the rate is $1.00 a hundred and $1.69 to Saskatoon -- $1.00 a hundred to Winnipeg, $1.69 to Saskatoon. We gave precisely 69 per cent on the goods that we ship out of Winnipeg to Saskatoon of our own manufacture.

Q. Well, Mr. Brown, Brantford is in this blanket, so it does not matter if it comes anywhere in that shipping area, so let us take from Brantford to Regina ---

THE CHAIRMAN: Pardon me, Mr. Sinclair; you are talking now of shipments without redistribution at Winnipeg?

MR. SINCLAIR: Yes. He said that there was a difference. When he subtracted it it came to exactly the same.

THE CHAIRMAN: I thought the witness was talking of machinery which his company brought to Winnipeg and then distributed on; is that right?

MR. SINCLAIR: Oh, there is a difference then, sir.

THE CHAIRMAN: That is what I thought Mr. Brown said.

MR. SINCLAIR: That is what I thought he said, but he said no, that is not what he meant.

THE CHAIRMAN: Q. That is not what you meant?

A. What I am pointing out ---

Q. Well, is this not the fact, that some of your machinery is manufactured here in Winnipeg?

A. That is correct.

Q. Then shipped on?

A. Yes.

Q. Two-thirds of it, though, you bring from Eastern Canada here and then ship it on from here?

A. No; two-thirds of it we bring from Eastern Canada to Winnipeg and directly through to Saskatoon, Regina, Calgary and Edmonton.

Q. Well there is no redistribution takes place here?

A. No, none. I was pointing out in answer to Mr. Sinclair that the amount we pay on the machines shipped into Winnipeg from Brantford as against the amount we pay on machinery coming from Branfford to Saskatoon is precisely the same as the rate that we pay from Winnipeg to Saskatoon of our own manufacture, so that I would assure him that the sixth class distribution rate is in effect west of Winnipeg;

MR. SINCLAIR: Q. Well, Mr. Brown, all I can say is, take it from the tariff and read that the rate from Brantford applies, the special machinery rate applies, to all these points in western Canada -- to them all -- and that it is considerably below the sixth class rate. For instance, the rate from any place in the territory, manufacturing territory, to Regina, $1.55; sixth class, $1.66; Calgary, $2.01; sixth class, $2.17. There was

another one, you said -- Edmonton, $1.98; sixth class, $2.17.

COMMISSIONER INNIS: Q. Mr. Brown, you say at the top of page 5:

"The increase from this rate to the rate in effect following 1922 amounted in the case of certain implements to as much as 40%."

Could you specify what implements were charged the higher rate?

A. Here, Dr. Innis, is the report of the Special Select Committee of the Legislature of Saskatchewan on farm implement distribution, a report submitted to the legislature in March of 1939.

Q. That is what we are basing this on?

A. Quoting from that report:

"While the Crows Nest Pass agreement was in force, farm implements were included as a commodity securing special freight rates. During the war the Crows Nest Pass agreement was suspended in its operations, and as a result of this and of legislation by the Dominion Parliament in 1922, farm implements no longer secured the preferred rate. As a result there has been a substantial rise in freight costs. To illustrate, in 1913 it cost $17.80 to move a binder from the manufacturing centres of Ontario to Regina. In 1939 it cost $25.42, or an increase of 43 per cent in the form of freight costs."

(Page 427 follows)

THE CHAIRMAN: Q. What year is that?

A This is March of 1939.

Q 1939?

A Yes.

COMMISSIONER INNIS: Q. That is to say, you have not in mind certain implements? This applies to implements generally?

A That is correct.

Q I think your phrasing is a little misleading in that you seem to indicate you are singling out certain farm implements.

A In this report they do single out the binder.

Q Is the binder the most conspicuous case?

A It is not that it is the most conspicuous. It is the only one that they happen to quote, and they quote it at 43.

THE CHAIRMAN: What is next?

MR. COVERT: The next one is the Manitoba Dairy and Poultry Co-Operative Limited.

MR. SHEPARD: Mr. Chairman, before introducing Mr. Goodman to the Commission, I might point out that the brief which he has filed is four pages in length plus a number of attachments to the brief. I do not know we whether it would be preferable to have the attachments filed with the Commission as exhibits. It probably would be preferable not to have them read in detail.

THE CHAIRMAN: Yes.

MR. SHEPARD: The brief is to be presented on behalf of the Manitoba Dairy and Poultry Co-Operative Limited by Mr. F. J. Goodman, the general manager.

F. J. GOODMAN, Called

THE WITNESS:

INTRODUCTION:

The Manitoba Dairy & Poultry Co-operative Ltd., is a co-operative marketing organization, owned and controlled by approximately 35,000 members in the Province of Manitoba. Its function is to assemble, grade, process and sell dairy products, eggs, and poultry on behalf of its members.

Our purpose in presenting this brief is to acquaint the members of this Royal Commission of the part agriculture plays in the whole economy of this country and to request that, in your findings a recommendation will be made that the products of agriculture will be given a classification for transportation which will encourage and maintain our agricultural industry on a sound basis.

The estimated agricultural production in the Dominion of Canada for 1948, amounts to $2,750,000,000. We believe the major portion of this production was transported on the railways and the revenue from the transportation of these agricultural products constitutes a large percentage of the transportation revenue received. In the Province of Manitoba, the agricultural production for the year 1948 is estimated at $329,925,000. In view of the above amounts which represent farm production, we would ask you to bear in mind the return transportation required in maintaining the needs of these producers, such as supplies, machinery, and other items necessary to their welfare in order that they might continue in the production of agricultural products.

A large quantity of these Manitoba agricultural products is exported either to Eastern Canada or other world markets so that the prices received by the producers are determined by world market prices, less the various freight charges which are incurred by:-

(a) The original shipments from the producer to the assembly or manufacturing point.

(b) Freight from the assembly or manufacturing point to the seaboard.

(c) Freight on incoming supplies to the farmers.

(d) Freight on incoming supplies to the assembly or manufacturing point.

We wish to bring to your attention that farm products, particularly eggs, are subject to freight hauls which incur three or four freight charges before they are ultimately delivered to the seaboard or for consumption in the deficiency areas which lie principally in Eastern Canada.

NATURE OF INDUSTRY:

The production of dairy and poultry products in this province is a secondary agricultural enterprise. It produces a low return per unit relative to the amount of labour and expense involved; extra hours of labour and care in handling are involved in the case of most farmers. For these reasons, production reacts quickly against anything which tends to reduce the small margins which are allowed the producer. This is particularly true of dairy products such as butter. Butter production has fdecreased steadily for the past four years, largely because rising labour and feed costs have narrowed the producer's margin to the point where it is questionable if one exists. Production has gone down in spite of an unprecedented domestic demand. It is very noticeable that every time an increase

in production costs is announced there is an immediate reaction against it, and more farmers discontinue the production of dairy products. This also applies to eggs and poultry in a lesser degree.

An increase in freight and express rates would undoubtedly raise production costs in these lines. We contend, that to the extent these cost increases cannot be passed along, they will have the effect of curtailing production of food products.

NATURAL DISADVANTAGES:

The markets for most of Manitoba's surplus dairy and poultry products are in eastern Canada and, by reason of distance and consequently of higher freight charges, our producers are under the handicap common to all western farmers, that of competing with eastern producers who are close to their markets. This is a natural disadvantage. There is, however, a further disadvantage which aggravates our competitive position and that is the lower rates paid by eastern producers for freight carried an equal distance in Eastern Canada. It is obvious then, that any further increase in freight rates will impose an additional handicap on Manitoba producers.

It is our contention that, if the dairy and poultry industry is to continue to flourish and supply the demand, it cannot be asked to assume greater costs and lower returns. The industry is operating on low returns now and any further reduction would have the effect of driving more people from the industry.

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BOARD REPRESENTATION IN EACH PROVINCE:

4. During the past year the following submissions were made to the Canadian Freight Association:

(a) On June 17, 1948, the request for a reduced freight rate on butter shipments was submitted to the Canadian Freight Association for consideration, and, at the same time the Board of Transport Commissioners was made acquainted with the request. (Copy of the petition together with the reply from the Secretary of the Board is attached hereto).

The Canadian Freight Association turned down the above request and no further action has been taken to our knowledge by the Board of Transport Commissioners.

(b) In January, 1949, the Western Canada Produce Association submitted a petition for an adjustment in freight rates in connection with "Processing-in-Transit" arrangements on frozen eggs. (Copy of submission is appended hereto).

This request was also refused by the Canadian Freight Association. (A copy of their letter, dated May 14, 1949, is appended hereto).

The special rates in effect on the transportation of eggs were discontinued in April of 1948, and the rates on shipments of eggs from producers to grading stations were increased to the regular tariff rates. (Schedule of old and new rates are attached). We understand that the Board of Transport Commissioners do not have control over the increase in the special agreed

rates to the regular tariff rates. We would recommend therefore, that:

(a) The shipper obtain ample notice of proposed adjustments so that he might make any representations considered necessary.

(b) The approval of the Board of Transport Commissioners must be received before any increase in the agreed rates is put into effect by the Railway Companies.

It is our understanding that the Canadian Freight Association is composed of railway representatives, who naturally would first consider the position of the railways. We believe that the average layman or business man feels that he is not privileged to present his problems to the Board of Transport Commissioners. Therefore, we would recommend that the Board of Transport Commissioners establish an office, with adequate personnel, in each province, to whom the public could make a direct request for adjustments on freight rates when necessary. This would keep the Board of Transport Commissioners informed of the effect of freight rates on the economy of the country and would also be the means whereby the Board could obtain a more thorough understanding of public opinion.

CLASSIFICATION OF FREIGHT RATES ON COMMODITIES:

No. 5. We believe that the rates, as presently charged for the transportation of butter, eggs, and poultry, are in excess of the requirements of the railways; e.g. a car of salt, weighing 37,000 pounds was shipped from Windsor, Ontario, to Dauphin, Ontario, at a rate of 77 cents per 100 pounds, based on Lake and Rail rate; the

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same car based on rail rate only would be 86 cents per 100 pounds. A car of butter from Dauphin, Manitoba, to Windsor, Manitoba, would command a freight rate of $2.54 per 100 pounds.

It is difficult to understand why the hauling cost in the one instance is so much greater, as the cost of moving this freight per mile must be the same in both instances. We are quite sure that there are many similar cases, particularly in the movement of freight from Eastern Canada in comparison with the movement of freight from Western Canada.

We would like to recommend, therefore, that before any general freight increases are allowed, the Board of Transport Commissioners verify that rates are uniform in the various sections of the country and, that the rates on those commodities enjoying special freight agreements be adjusted on the basis of the cost of hauling which, no doubt, has been computed by the railway companies.

GENERAL REMARKS:

6. If Manitoba and Western Canada are to progress and maintain a satisfactory agricultural production it is necessary to encourage, not to penalize, the production of primary products. A reduction of the producer's returns will curtail production still more. Good farming practices demand that over large areas in the West and in Manitoba soil conservation is essential. History has shown that diversification is necessary over all agricultural areas. Therefore, every consideration

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should be given to encourage our basic industry-agriculture. We feel that the freight rates on agricultural commodities should be so classified that the railways will derive their minimum requirements for freight transportation.

Respectfully submitted,

MANITOBA DAIRY & POULTRY CO-OPERATIVE LTD.

THE MANITOBA DAIRY ASSOCIATION

143 Legislative Building,
Winnipeg, Manitoba,
June 17, 1948

Mr. J. E. Flynn,
Agent,
Canadian Freight Association,
Winnipeg, Manitoba.

Dear Mr. Flynn:

The butter situation in Western Canada has become very serious, due to the high cost of transportation from the Prairie provinces to Eastern Canada markets, viz. Toronto, Ontario, and Montreal, Quebec. The spread covering the marketing cost of butter has to be narrowed if cream production is to be encouraged to decrease butter shortages. In other words, the producer must get a maximum price in he is to be encouraged to produce.

Butter manufacturers in the Prairie provinces cannot compete on an equitable basis with Eastern Canada owing to the freight haul as the majority of butter in Eastern Canada is being hauled by truck.

The undersigned, representing all creameries in

Manitoba, Saskatchewan and Alberta, are of the opinion that the classification on butter should be reduced from third class to fifth class in carloads, or a commodity rate on butter from the Prairie provinces to Toronto, Ontario, and Montreal, Quebec, equal to such change in classification.

Butter is the cleanest and easiest commodity that can be handled by freight and compares favorably with other products having a lower classification, for example, "lard", which takes fifth class in carloads.

With the recent increase in freight rates the butter situation has become further aggravated and unless the lower transportation costs as requested, are granted, the butter manufacturers will be compelled to reduce the paying price to the producer for his butter fat, which will mean only one thing, and that is that the producer will go out of the business of raising dairy cattle. This would not only create a greater shortage in the production of butter, but Would seriously affect the milksupply which is so essential to the consumer.

As evidence of this the butter production in Canada is steadily going down and will continue to do so unless all agencies work together to have the greatest possible return made to the dairy farmers.

When this matter comes up for considdration by your committee, it will be appreciated if you will have our representatives attend.

In acknowledging this application please do so to Mr. C. P. Killick, Secretary, the Manitoba Dairy

Association, 143 Legislative Building, Winnipeg, Manitoba.

Yours very truly,

The Manitoba Dairy Association,
The Saskatchewan Dairy Association
The Alberta Dairymens' Association
The Western Canada Produce Association

Submission of the Manitoba Dairy Association, the Saskatchewan Dairy Association, The Alberta Dairymens' Association and the Western Canada Produce Association - to the Canadian Freight Association, Winnipeg, Man.

The above dairy associations represent a cross section of the dairy industry of the provinces of Manitoba, Saskatchewan and Alberta - with over 200 creameries and milk and cream distributing plants and numerous patrons who ship to those creameries. The interests of the operators or manufacturers are closely allied with those of the producers - several of the dairy organizations are co-operative - though independent operators are in a similar position however, they depend upon the production of milk and cream in their business, and it is in their interests to see that the producer gets a fair price to encourage production. At the same time the producer is interested in seeing that the manufacturer turns out a high quality product.

The dairy industry has made every effort to provide the essential andhighly nutritional food products so necessary for the health of our nation.

We submit that the dairy producers of the Prairie provinces are being penalized due to high freight rates,

resulting in serious damage to the dairy industry, which is of such importance in primary production areas such as Manitoba, Saskatchewan and Alberta. These provinces produce a considerable surplus of creamery butter, and by reason of their geographical location have long distances to ship by rail to the consuming markets of the deficiency areas in Ontario and Quebec. The Montreal price, less freight charges, is the standard upon which Western Canada prices are set.

Butter, being a concentrated food product, is by its nature, the main dairy product that can be shipped long distances by rail. This is the chief reason why creamery butter absorbs over 50 per cent of the prairie provinces milk production. It is estimated that 52 per cent of Manitoba's, Saskatchewan's and Alberta's butter production was exported to Eastern markets during 1947. Moreover 73 per cent of butter is made at country points. It is most of this butter which is exported out of the prairie provinces.

Importance of Transportation Costs in Butter Shipments

All items entering into creamery or dairy processing, except labor, carry transportation costs, including freight and express charges. In the butter industry, there are three main items entering the transportation picture:

(1) Transportation charges on the incoming raw material, i.e. milk and cream.

(2) Transportation charges on materials used in manufacturing (wooden butter boxes, salt, washing compounds, neutralizers, box liners, butter wrappers,

butter colour, cardboard containers, etc., and all heavy dairy equipment).

(3) Transportation on the outgoing finished product.

All heavy dairy equipment comes from the East, as well as most of the supplies going into the manufacture of butter.

In the following table we list the present freight rates - as against the proposed rates on butter from representative points in Manitoba, Saskatchewan and Alberta to the Eastern consuming markets.

TABLE I

Present and Proposed Rates
From Representative Points to Montreal

MANITOBA	Present 3rd Class C.L. per 100 lbs. to Montreal	Proposed 5th cl. C.L. per 100 lbs to Mtl.
Winnipeg	2.15	1.38
Brandon	2.47	1.60
Gladstone	2.40	1.55
Roblin	2.72	1.74
Shoal Lake	2.54	1.66
Souris	2.52	1.62
Swan River	2.76	1.78
Virden	2.58	1.67

SASKATCHEWAN	Present 3rd cl. C.L. per 100 lbs to Montreal	Proposed 5th cl. C.L. per 100 lbs to Mtl.
Broadview	2.76	1.78
Humboldt	3.05	1.98
Lloydminster	3.41	2.21
Melville	2.76	1.78
Melfort	3.13	2.03
Moose Jaw2	2.99	1.95
North Battleford	3.30	2.14
Regina	2.92	1.88
Saskatoon	3.13	2.03
Swift Current	3.16	2.07
Weyburn	2.84	1.84
Yorkton	2.76	1.78
ALBERTA		
Calgary	3.67	2.40
Edmonton	3.67	2.40
Red Deer	3.78	2.46
Alix	3.67	2.40

Who will Benefit in reduced freight cost?

Any reduction of freight rates will ultimately benefit the producer or dairy farmer. The creamery operator particularly in the past few years, under a highly controlled marketing system has had to operate under an extremely narrow margin. Competition has been so keen to obtain the raw product from the producer that margins have been squeezed to the limit in the butter industry.

Since 1943, butter production in the Prairie provinces has dropped approximately 50 per cent and the increases in freight rates which have been granted will further reduce the returns to dairy farmers which they have, as proven by their actions, found unprofitable since 1943.

Manitoba, Saskatchewan and Alberta butter being an exportable product the price is governed by the Montreal and Toronto markets and these are now controlled by ceiling prices.

Importance of Dairy Industry

If Western Canada is to progress and maintain a satisfactory grain production, it is necessary to encourage dairying, notto penalize it. A reduction of the producer's return will curtail production still more. Good farming practice demands that over large areas in the west soil conservation is essential. For soil conservation we must seed more land in grass and pasture, and to utilize this grass and pasture we must turn more to the most efficient method for this utilization, which is the dairy cow.

Summary

Manitoba's, Saskatchewan's and Alberta's butter is extremely important to Canada as a whole. As the prairie provinces supply deficiency areas in Eastern Canada, the burden of freight rates fall heavily on this product. Unless there is a reduction in freight rates from the prairie provinces to Eastern Canada it is conceivable that there will be a partial economic breakdown of the Dairy industry within the prairie provinces.

Canadian Freight Association Tariff No. 67, issued March 28, 1947, and effective April 1, 1947, provides that the wartime minimum loadings become the regular peacetime loading basis; and in so far as the transportation of dairy products, more particularly creamery butter, is concerned, constitutes a saving to the railways equivalent in its effect to an increase in freight rates over the pre-war level.

General Remarks

This submission is made in support of our application to the Canadian Freight Association dated June 17, 1948.

We are not asking for a change in the Canadian freight classification, but for a special commodity rate, showing that butter, in carload lots from the prairie provinces (Manitoba, Saskatchewan and Alberta) to Toronto, Ontario, andMontreal, Quebec, be fifth class in carloads, the rates applying to be the same as in C.F.A. tariff 4.F. and as amended by C.F.A. tariff No. 71.

Dated at Winnipeg, Manitoba, June 25, 1948

Respectfully submitted,

THE MANITOBA DAIRY ASSOCIATION

THE SASKATCHEWAN DAIRY ASSOCIATION

THE ALBERTA DAIRYMEN's ASSOCIATION

THE ALBERTA DAIRYMEN's ASSOCIATION

THE WESTERN CANADA PRODUCE ASSOCIATION

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BOARD OF TRANSPORT COMMISSIONERS
FOR CANADA

Ottawa, 21st, June, 1948

Mr. C. H. P. Killick,
Secretary,
The Manitoba Dairy Association
143 Legislative Building
WINNIPEG, Manitoba

(File - 45544)

Dear Sir:

Acknowledgement is hereby made of your letter of June 17th, as requested by you, which has been duly noted.

In view of the fact that the subject matter thereof is limited to one commodity, the Board is prepared to deal with the application if it becomes necessary without incorporating it in the general investigation now in progress. For your information the Board has received a number of applications which deal either with local matters, or matters relating to specific commodities, and as its general investigation is more particularly concerned with regional differences in rates, it has adopted the prodedure of dealing with these specific applications entirely separately from the investigation in question. By these means, the Board hopes to expedite the handling of all the matters without unduly delaying the settlement.

You may rest assured, however, that whatever principles maybe involved in the general freight rate investigation which are applicable to specific complaints abovereferred to, the same consideration will be given

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to the specific complaints as if they were part of the said investigation.

Yours truly,

P. F. Baillargeon,
per C.W.R.

P.F. Baillargeon)
Secretary.

WESTERN CANADA PRODUCE ASSOCIATION
(Manitoba Division)

To: J. F. Flynn,
Chairman,
Canadian Freight Association
(Western Lines)
44 C. P. R. Building,
Winnipeg, Manitoba

Re - Processing-in-Transit
Arrangements Frozen Eggs.

PURPOSE:

1. This memorandum is a request by the Western Canada Produce Association for the establishment of processing in transit privileges on shell eggs purchased in car lots in Western Canada, assembled and processed in Winnipeg and shipped as frozen egg to Eastern Canada, either for export or domestic consumption. The manner in which these privileges would be implemented by the Railway companies is described herein.

GENERAL BACKGROUND OF THE FROZEN EGG INDUSTRY

2. The frozen egg industry has developed greatly in Canada within the past ten years. This development received its impetus partly from the necessity of findinga method of serving the domestic baking industry more effeciently and partly to meet the requirements of

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Great Britain for eggs in frozen form. The processing of eggs in frozen whole egg, albumen and yolk was also necessary to make the most efficient use of the lower grades of eggs, the volume of which rose rapidly during the war years as part of the phenominal advance in Canadian egg production which occurred at that time. The general prosperity and high level of purchasing power in Canada was, of course, a factor in this development.

The following figures will serve to illustrate the size of the frozen egg business and the important place that egg processors in Winnipeg have assumed in the total production picture. The geographic position of Winnipeg within the economy makes this city the hub of the frozen egg industry, a role for which it is well suited because of the large and well equipped breaking plants and good refrigeration facilities.

Total production of frozen egg - Canada	20,000,000 lbs.
Produced for export	10,000,000 lbs.
" for domestic trade	10,000,000 lbs.
Total production of frozen egg - Winnipeg,	7,000,000 lbs.
Produced for export	3,000,000 lbs.
" for domestic trade	4,000,000 lbs.
Percentage of total frozen egg processing done in Winnipeg	35 per cent

These figures are approximate. Exact data could probably be obtained from the Dominion Department of Agriculture.

It will be seen that a very large part of the Canadian frozen egg industry is centred here. This is

an enviable position, one which our association is very anxious to maintain, and one which we submit also benefits the railways. It will be conceded that circumstances which tend to reduce rail traffic out of Winnipeg also tend to reduce therevenue of the railway companies.

COMPETITIVE DISADVANTAGE

3. A situation has developed, which unfortunately threatens to do that very thing. Egg processors in Winnipeg are working under a competitive disadvantage with Eastern processors who are for the most part situated within their own markets and for whom transportation costs on frozen egg are a very small item. This is a disadvantage of geography which has always beenaa problem for Winnipeg processors, and one which is very difficult to completely equalize in the agsence of subsidies or legislative intervention. But in addition to this natural disadvantage which arises as a result of geography a further one arises from conditions within the industry aggravated by the present freight tariff as it applies to frozen eggs. Winnipeg processors, it will be seen, are also under a serious competitive disadvantage with processors in Saskatchewan and Alberta.

Manitoba does not produce sufficient eggs to supply the Winnipeg breaking plant with their requirements, although Western Canada as a whole, does. It is therefore necessary at times to reach out to such places as Edmonton, Calgary, Moose Jaw, Regina and other Western points for supplies of breaking stock.

These supplies in the main represent a surplus over what is required by breakers operating within those areas.

These eggs are to a large extent brought into Winnipeg on the fourthclass car lot rate. Freight is calculated on the basis of 56 pounds per case, minimum car 24,000 pounds. The eggs are processed, placed in pails usually of 38 pounds net weight, then frozen, stored for varying periods, then moved to Eastern points either for export or domestic use for baking purposes. Frozen egg is not sold direct for home consumption. When moving east this product carries the same rates as shell eggs, i.e. $1.33 per CWT export, $1.67 domestic.

We have worked out some examples of how the present freight tariff works to the disadvantage of Winnipeg firms. Let us assume that a Winnipeg breaker has purchased car lots of eggs at Edmonton and Regina.

Domestic

(1) Edmonton to Winnipeg
600 cases at 56# - 33,600 pounds at $1.29 - $433.44
Finished product is converted into frozen egg and shipped on domestic rate to Mtl.
(1 case eggs - 1 pail melange)

Winnipeg to Montreal
600 cases 40½ pounds - 24,300 # at $1.67 - 405.81

Total Freight $ 839.25

Edmonton to Montreal (through rate)
600 x 40½ pounds 24,300 # at $2.82 $ 685.26

Additional freight paid by Winnipeg processor is .68 ¢ a pound based on net weight of product 22,800 #(600 x 30#) 153.99

(2) Export

Edmonton-Winnipeg	433.44
Winnipeg-Montreal 600 x $42\frac{1}{4}$ 25,350# at $1.33	337.16
TOTAL FREIGHT	770.60
Edmonton-Montreal 25,350# at 1.97	499.40
	271.20

Additional freight paid by Winnipeg processor is $1.189 per pound based on net weight of product 22,800 pounds

(3) Domestic

Regina to Winnipeg 600 cases at 56#-33,600 at .76	255.36
Converted to melange Winnipeg to Montreal 600 pails at $40\frac{1}{2}$# 24,300 at 1.67	405.81
TOTAL FREIGHT	661.17
Regina to Montreal (Through Rate) 600 x $40\frac{1}{2}$ 24,300 at 2.24	544.32
	116.85

Additional Freight paid by Winnipeg processor is .51¢ per pound based on net weight of product 22,800 lbs.

(4) Export

Regina to Winnipeg 600 cases @ 56 pounds 33,600 at .76	255.36
Winnipeg to Montreal 600 pails at 42.25 25,350 at 1.33	337.15
	$ 592.51
Regina to Montreal 600 pails at 42.25 25,350 at 1.68	425.88
	166.63

Additional Freight paid by Winnipeg processor is .73¢ per pound based on net weight of product 22,800 pounds.

Note - all icing and switching charges omitted.

These examples illustrate quite clearly that processors in Saskatchewan and Alberta have a competitive advantage of up to 1.12 cents per pound. While this may not appear as an impressive figure, we cannot too strongly stress that a 1 cent or even 1/2 cent advantage in the frozen egg business is a very serious handicap, particularly in view of the fact that on a 1,500 pail car 1 cent a pound amounts to $570.00. It is a sufficiently serious disadvantage that under more competitive conditions the frozen egg business in Western Canada will eventually have to be decentralized and Winnipeg will in time lose its position as one of the main processing centres for frozen eggs in Canada. It is perhaps pertinent to note here that the far Western processors enjoy a further advantage in being able to acquire breaking stock at lower prices than we, since much of it is purchased direct from the producer.

Loss of Rail Revenue

4. A large proportion of shell eggs processed into frozen egg are undergrades. Generally speaking, there is a greatly restricted market for this product except in frozen form; in fact, were it not for the frozen egg industry which absorbs these undergrades their value relative to other eggs would be very low and the produce industry would have the greatest difficulty in merchandising this class of product.

If, for competitive reasons, the Winnipeg processors lose the frozen egg business or a large part of it, much of this undergrade product would not be

processed and the railways would lose the revenue from the shipment of frozen egg. They could not hope to recoup the revenues from the movement of carlots of undergrades that otherwise might have been processed, since demand in Eastern Canada for undergrades as shell eggs is practically nil, and is absolutely nil, so far as export trade is concerned.

Processing-in-transit Privileges

5. It is a fair assumption that if Winnipeg processors were placed in a better competitive position with Eastern and Western processors the sale of frozen egg originating in this city would increase and that the freight revenues accruing from the movement of this product out of Winnipeg would also increase.

This association therefore recommends that processors be given "processing-in-transit" privileges by the railways, and suggests that they might be worked out on this basis:

(a) The processor be allowed to apply paid freight expense bills on frozen egg moving to Eastern Canada aginst the through rate from point of origin, on the weight basis of five to four, plus stop off charge of 6 cents per hundred pounds. As an example of how this would apply take a shipment of eggs purchased in Edmonton, processed in Winnipeg and shipped to Montreal for export: (Icing and switching charges not included in any of these examples).

Rate	
Edmonton to Montreal	1.97
Stop off	.06
	2.03
Less Edmonton to W innipeg	1.29
Billing rate	.74

However, it would not be equitable from the Railways point of view to accept paid freight bills on shell eggs for application on frozen egg, on a pound or per pound basis since there is a weight loss of 25 per cent incurred in processing. This weight loss is determined as follows:

Case and fillings	12 pounds
Egg Shell	$6\frac{1}{2}$ "
Total	$18\frac{1}{2}$
Less pail & Carton (Frozen Egg)	$4\frac{1}{4}$
	$14\frac{1}{4}$ or 25% of 56 pounds (weight of one case shell eggs)

It is necessary therefore on export shipments to adjust either the billing rate or the weights which may be applied on the frozen egg shipment. For instance, on a shipment of 60,000 pounds of frozen egg, the processor might be required to apply paid expense bills for shell eggs totalling 80,000 pounds. If the processor is unable to supply paid expense bills at weight rates of four to three for the entire shipment, then he should be permitted the through rate plus stop off on that portion of the shipment for which he has paid expense bills to cover.

In actual practice, as a good many of the egg cases would subsequently move eastward in domestic trade, the real weight loss to the railway would be somewhat less than 25 per cent. However, owing to the difficulty of establishing the exact amount of cases that would move eastward in domestic traffic, our Association suggests that as compensation the Railway accept the figure of 25 per cent weight loss on domestic as well as export movement. In domestic frozen egg, the weight loss to the railways is, by the above figuring, about 28 per cent since the shipping weight is only $40\frac{1}{2}$ pounds as against $42\frac{1}{2}$

pounds for the export pack.

PRINCIPLE ALREADY ESTABLISHED

6. The Railway companies in the United States have, we believe, an arrangement similar to the one suggested in Canada. The principle of processing-in-transit is in general application where cereal grains are concerned. We submit that there is almost an exact parallel between the arrangements we are asking for and the one now in effect for flax, where flaxseed is shipped to Winnipeg, converted to oil cake and then reshipped. There is also a parallel and a precedent in the case of barley, which is shipped in bulk to Winnipeg, malted, and the malt re-shipped.

The parallel is somewhat less striking in the case of wheat converted into flour, bran, shorts, etc., since there is little or no weight loss in the processing.

We,therefore, submit that there is no essential difference between the processing of grain for re-shipment and the processing of eggs for re-shipment. In both cases, the product is merely converted into another form in order to make it more acceptable to the ultimate user and that this principle has already been recognized and applied by the Railways.

SUMMARY

7. Our arguments for the granting of processing-in-transit privileges may be summarized as follows:

(a) Because of conditions within the industry in Western Canada which compel Winnipeg egg breakers to haul eggs for breaking great distances coupled with the disadvantage of great distance from markets for

frozen egg, as well as a freight tariff which does not permit them to take advantage of through rates, the Winnipeg firms processing shell eggs are under a serious disadvantage in competing with both Eastern and Western egg processors; and that

(b) This disadvantage is sufficiently serious that unless something is done to bring some equalization in the competitive position of Winnipeg processors, they will eventually lose a good part of their business, and Winnipeg will also lose its position as a major centre of the frozen egg industry, a development which, it is submitted, is also undesirable from the railways' point of view, and

(c) That the loss of an outlet for undergrade eggs for processing as a result of losing the market for frozen egg will work to the disadvantage of the railways as well as the processors; and finally

(d) That the granting of "processing-in-transit" privilege will go a long way towards bringing about a more equitable competitive relationship between processors so far as transportation costs are concerned; that such privileges are justified and have already been recognized by the United States Railways and by the Canadian Railways in respect of certain other food products which are processed in transit.

CONCLUSION

8. We sincerely trust that this memorandum will have your careful and sympathetic consideration.

All of which is respectfully submitted.

WESTERN CANADA PRODUCE ASSOCIATION
(Manitoba Division)

On behalf of the following member firms: Borden Co. Ltd.; Burns & Co.; Canada Packers Limited; Canadian Poultry Sales Ltd.; Joe Lowe Corporation; Midwest Produce Company; Swift Canadian Company.

CANADIAN FREIGHT ASSOCIATION
(WESTERN LINES)

May 14, 1949

29723 - 1

Mr. A. C. Counsell, Secretary,
Manitoba Division,
Western Canada Produce Association,
346 Main Street,
WINNIPEG, Manitoba.

Dear Sir:

Referring to your letter of March 19th, 1949, making application for processing in transit privilege on eggs at Winnipeg, Manitoba.

Careful consideration has been given to your application, as embodied in memorandum submitted with your letter of March 19th, also to the verbal representations made by representatives of your Association at meeting of our Tariff Committee held here on April 13th last, and after thoroughly reviewing the matter, I have to advise the decision reached by the Committee was that your application was one which could not consistently be granted.

Yours truly,

(Signed) F. J. FLYNN,

Chairman.

EXPRESS RATES ON EGG & POULTRY SHIPMENTS

EGGS

MANITOBA	TO-DAY'S RATE		OLD RATE	
Steep Rock	15 doz.	50¢-30 doz. 50¢	12 doz.	35¢- 30 doz. 41¢
Gypsumville	15 "	50¢-30 " 50¢	15 "	35¢- 30 " 41¢
Hodgson	15 "	50¢-30 " 50¢	15 "	35¢- 30 " 39¢
Arborg	15 "	50¢-30 " 50¢	15 "	35¢- 30 " 35¢
Riverton	15 "	50¢-30 " 50¢	15 "	35¢- 30 " 35¢

DRESSED POULTRY

	TO-DAY'S RATE	OLD RATE
Steep Rock	1.08¢ per 100 lbs.	.89¢ per 100 lbs.
Gypsumville	1.13¢ " 100 "	.93¢ " 100 "
Hodgson	.83¢ " 100 "	.69¢ " 100 "
Arborg	.64¢ " 100 "	.53¢ " 100 "
Riverton	.64¢ " 100 "	.53¢ " 100 "
	MINIMUM .75¢	MINIMUM .50¢

April 16, 1948
M.

MR. SHEPARD: Mr. Chairman, I do not know whether you would like to have numbers givenat this time tothese attachments or whether they should be considered as part of the brief. I want to refer to one of them now.

THE CHAIRMAN: If they are part of the brief, we will know where to find them.

MR. SHEPARD: I wondered if they might be typed out and appear in the record.

THE CHAIRMAN: They will be there all right.

MR. COVERT: Perhaps they might be typed out in the record.

MR.SHEPARD: That would be quite satisfactory .

THE CHAIRMAN: Are there any questions to be addressed to Mr. Goodman?

MR. COVERT: Q. Mr. Goodman, you refer in your brief to your efforts to get some relief to the butter rate, and you attach to the brief a copy of a letter dated June 17, addressed to Mr. J. A. Flynn, agent, Canadian Freight Association, at Winnipeg. I understand that a copy of that letter was also sent to the Board of Transport Commissioners.

A. Yes, It was.

Q. And further on, among the attachments, there is a letter dated June 21, 1948, from the Secretary of the Board of Transport Commissioners which indicates that they acknowledge your letter and they say that in view of the subject matter thereof being under the one commodity, the Board is prepared to dealwith the application, although if it becomes necessary without

incorporating it in the general investigation now in progress. Has anything further developed? Has action been taken by the Board since that letter?

A. We have had no further word from the Board of Transport Commissioners.

Q. You have not. I take it, Mr. Goodman, that this submission is made by you in a desire to draw to the commission's attention things of which you have personal knowledge in your own business.

A. Yes.

Q. And you are not an expert on freight rate matters generally?

A. No, I certainly am not.

THE CHAIRMAN: Are there any questions?

MR. EVANS: Q. On the point which Mr. Shepard raised, Mr. Goodman, I gather that you sent to the Board of Transport Commissioners a copy of your letter of June 17, to theCanadian Freight Association.

A. Yes.

Q. Did you write a letter accompanying that, or did you justenclose it in an envelope?

A. I believe it was covered - no, I could not say for sure. The secretary of the Associatinn did it.

Q. If there is a letter, will you file it?

A. Yes, certainly.

Q. Because you see, the Board, in its letter to you of the 21st, acknowledging your letter, it says, of June 17, as requested by you - I put it to you, Mr. Goodman, that, at that time, so far as the Board knew

you are merely making an application to the Canadian Freight Association.

A. Yes.

Q. Did you at any time subsequent to that after the Freight Association rejected your request, write to the Board and complain about the rejection?

A. I do not believe the Board of Transport Commissioners was contacted again.

Q. You rather suggested that you had heard nothing more from the Board. But you really could not have expected to hear from the Board unless you communicated to them the result of your petition to the Association, could you?

A. It says here that the Board is prepared to deal with the application if it becomes necessary.

Q. And that is why I make the suggestion to you; I put this to you. It is quite probable that the Board expected to hear the result of your petition to the Association; and that not having heard anything more is it not likely that they would think it was not necessary to deal with it?

A. They might have.

Q. Isn't that a logical thing to draw from the correspondence as filed. I don't want to be unfair about it, and I am sure you don't want to be either.

A. I am sure I would not; but yet, at the same time we made a request for a reduction in the rate, and we would feel that that would be ample notice to the Board. My impression is that the Board of Transport Commissioners supersedes the Canadian Freight

Association; and if they made a study of the situation and found that the butter should be transported at a lower cost, they could advise the Canadian Freight Association to that effect.

Page 457 follows

Q. Wouldn't you as a business man expect, Mr. Goodman, that if you had any complaint to make to the Board after the rejection of your request from the Association, you would have made it to the Board? Now, isn't that fair?

A. Yes, that is a fair assumption.

Q. And isn't it also fair for the Board to have assumed that, since nothing came of this, you may have been satisfied by the explanation made by the Association?

A. I do not believe the intention at the time was -- we were making a request both to the Canadian Freight Association and to the Board of Transport Commissioners; that was our intention at the time; we did not hinge on the other, as far as we were concerned.

Q. Well, the Board apparently misunderstood it, because they said the Board is prepared to deal with the application if it becomes necessary; I suppose that must mean, mustn't it, that the Board did not know whether it was going to be necessary for them to deal with it, or whether you would deal with it satisfactorily through your petition to the Association? Let us be fair about this, Mr. Goodman; I want to be, and I am sure you do.

A. Yes, they say that the subject matter thereof is limited to one commodity and they apparently were prepared to deal with one commodity.

Q. I do not think you are reading that letter correctly.

A. Well, that is what they say -- in view of the fact that the subject matter thereof is limited to one commodity.

Q. Now, just read on:

"In view of the fact that the subject matter is limited to one commodity, the Board is prepared to deal with the application if it becomes necessary without incorporating it in the general investigation." In other words, they give you special treatment, as I read it; they would not wait for the general inquiry?

MR. SHEPARD: Mr. Chairman, it seems to me that the correspondence is filed, and perhaps the Commission can understand it without taking too much time in cross-examination.

THE CHAIRMAN: Yes; it is a matter of argument, is it not?

MR. EVANS: Well, perhaps so.

THE CHAIRMAN: Here it is; apparently Mr. Goodman understood it in a certain way, and if necessary we shall have to interpret it and say how it ought to be understood.

MR. EVANS: I am through with that now, anyway, sir, but my friend expressly asked a question which drew out of the witness the idea or the statement that he heard nothing from the Board, and that left an inference which I felt ought not to be left, with respect. However, I am through with it, sir.

THE WITNESS: I might say, Mr. Chairman, that at the time we made this we were not aware that any large investigation was in progress at that time.

THE CHAIRMAN: Q. But they refer to it

A. Yes.

Q. They say, "We are dealing with only one commodity, and therefore we can attend to it without making it part of the general investigation, and we willdo so if necessary."

Now, what they meant by that "if necessary" is a matter of argument at the present time.

MR. EVANS: Q. Now, I gather that there are two subjects; the one has to do with butter and the other has to do with eggs. Perhaps we may deal first with butter. On page 2 I notice the statement made, "Production has gone down" -- you see that, just above the centre of the page?

A. Yes.

Q. -- "in spite of an unprecedented domestic demand." Now, I am trying to solve in my own mind why with an unprecedented demand there should be a decrease in the production of butter; I wonder if you can help me on that?

A. The cost of production of butter has increased to such an extent that it is not profitable for a great many of the farmers to produce butter.

Q. With a high demand you get a high price to pay for the cost, don't you?

A. No; the price is under ceiling.

Q. Now?

A. No; it just came off last May, I believe.

Q. Well, aren't we speaking now of the present?

A. Yes.

Q. There is no ceiling price; there is a floor price?

A. Yes.

Q. And the floor price to the farmer is what?

A. 58 cents, basis Toronto.

Q. That is the price to the farmer?

A. No, that is the basis of butter f.o.b. Montreal.

Q. And usually, just roundly, what does that give the farmer?

A. To the farmers in Manitoba it probably returns a 60-cent butter-fat basis double cream.

Q. That is, a pound of butter fat produces more than a pound of butter?

A. Yes.

Q. That is on another page in your brief. I had a little difficulty tying these two things together, but if I am not accurate in this I wish you would correct me. You suggest that there is a tremendous competition between the butter producer -- that is the man who turns the cream into butter -- and the other users of cream and milk; is that true?

A. No, that is not. I did not try to convey that thought here.

Q. I want to be accurate about it, because I thought somewhere inone of these letters -- oh, yes, if you will look at the submission of your Association to the Canadian Freight Association, which is the first document in the appendix, on the second page just below the table there is a paragraph, and the last sentence says:

> "Competition has been so keen to obtain the raw product from the producer that margins have been squeezed to the limit in the butter industry."

Now, what does that mean?

A. That is principally competition between one creamery butter-making plant and another creamery butter-making plant.

Q. Now, that competition means that both creameries, assuming there are two in competition, are competing between themselves to buy the cream and the

milk from the farmer?

A. Yes.

Q. Now then, so far as the farmer is concerned, that is pretty nearly an ideal situation, isn't it?

A. Should be, yes.

Q. And because of the intensive competition between the makers of butter, the farmer is getting a very high price for his cream, but the margin allowed to the manufacturer of butter has been reduced; that is your point?

A. Yes.

Q. And therefore you say that, the margin having been reduced, the rise in the cost of producing butter is the thing that drives people out of the butter business?

A. A rise in the cost of production of the butter fat, not butter.

Q. I was trying to segregate these two branches of your enterprise.

A. Well, the butter fat is produced by the farmer. He has increased costs and the heavier demand on labour that is not available to him.

Q. I thought we rather understood each other. We had the two creameries competing between themselves to get butter fat from the farmer, and I thought you agreed with me that that was pretty nearly an ideal situation for the farmer to be in, because it enabled him to get a very high price for his butter fat?

A. Get the highest possible price, yes.

Q. And it was the margin of the producer of the butter after he had bought it from the farmer that was

causing this difficulty; I only want to get your idea.

A. No; this margin refers to the butter operators, I believe. I have not read this for quite some time.

Q. You see my difficulty; I just read it ---

A. It says here the creamery operator is operating on a narrow margin. In the first part of the brief, though, when I referred to the narrow margin, it was the margin of the producer himself who produced the butter fat.

Q. I thought we were more or less agreed that the farmer was sitting rather pretty on this thing, because he had people keenly competing for his raw product?

A. Yes.

Q. That is almost ideal in any business, isn't it?

A. Yes, if the price ceilings had been open he would probably have got sufficient to pay for his costs but, in view of the fact that the price ceilings were on, he could not get what his cost of production was, and that was the reason that we had the decline in production.

Q. Wouldn't you agree with me this far, that, whatever may have been the disabilities produced by the price ceiling, those disabilities do not exist to-day?

A. No, for the past thirty days.

Q. So that when we examine your brief we have to examine it in the light of the condition as it is to-day and not as it was under price control. The railways suffered from that difficulty, too, in regard to rates. Then on page 2 you speak of the markets for most of Manitoba's surplus dairy and poultry products being in Eastern Canada, and by reason of distance and consequently of higher freight rate charges our producers are under a handicap, and so on.

(Page 465 follows)

Now then, do you export a large proportion of the butter produced in western Canada?

A You mean out of Canada?

Q Yes, do you export at all?

A No, we have not exported since the beginning of the war.

Q There is no export, but there is export of other commodities such as frozen eggs and other dairy products?

A Yes, some dried milk powder and cheese.

Q Then on the export of such of those commodities as are exported there are special export rates, are there not?

A Yes, there are.

Q And they are lower than the domestic rates?

A Yes, they are.

Q Now, then, on the first page of the letter to the Association of June 25 there is a list of the forms in which your costs are affected by transportation charges. The first one is transportation charged on the incoming raw material. That is milk and cream. Am I right that a good proportion of that is trucked to the creamery, or wherever you take it?

A Well, in the summertime the major portion of it is on trucks but in the wintertime it is reversed until the major portion is on the railways except in the centres such as Brandon.

Q Taking a year round average what proportion of the milk and cream that you get would be brought in by truck?

A Oh, I would say about 20 to 30 per cent.

Q That is the year round average?

A That is for the twelve month period.

Q Then, where do you get the wooden butter boxes?

A They are made in Winnipeg.

Q And the transportation charges on those would be nil, I suppose?

A Well, there is no transportation.

Q I am now dealing with the second category. You have the letter before you?

A Yes.

Q Then there is salt. Where do you get salt?

A From eastern Canada.

Q Do you get your salt in eastern Canada?

A Yes.

Q Is there not salt produced in Manitoba?

A Not butter salt.

Q That is a special kind of salt?

A Yes.

Q What kind of salt do you use?

A It is flake salt that dissolves more readily than the regular salt.

Q Then these other things, washing compounds, neutralizers, where do you get those?

A Principally imported from eastern Canada.

Q And box liners?

A Eastern Canada.

Q Butter wrappers?

A Eastern Canada.

Q Butter colour?

A Eastern Canada.

Q Cardboard containers?

A They are made here.

Q And then I suppose the heavy dairy equipment comes from eastern Canada?

A And the United States.

Q Then you have the last category of outgoing finished products. On the last page of that same letter - have you got that before you - in the second paragraph under the heading "Summary" there are these words:

> "Canadian Freight Association Tariff No. 67, issued March 28, 1947, and effective April 1, 1947, provides that the wartime minimum loadings become the regular peacetime loading basis."

Have you been advised that order no longer is in effect?

A Yes.

Q You have been advised that it has been cancelled?

A Yes.

Q But at the time you wrote the letter it had not been?

A This was in June 1947.

Q I did not know whether you knew that it had been cancelled.

A Yes, June 25, 1948

Q Now then, when you wrote this letter did you have representatives go down and talk to the Association?

A We were advised one morning about nine o'clock that the matter would be discussed by the Canadian Freight Association at eleven o'clock that morning.

Q You mean to say you were advised and you did not go east for the meeting.? What do you mean by that?

A The meeting was in Winnipeg.

Q You mean you did not have enough notice to attend the meeting?

A Well, we could not plan anything for the meeting. We had our brief prepared, but we only had about two hours to attend.

Q Well, did you attend?

A Yes.

Q And was the position taken that the reason why they would not give the fifth class rate on butter was that butter all over the country was moving at the third class rate? Is that not a fair summary of what they told you?

A I don't know. I cannot give you the actual procedure of what took place there. I know we appeared, and we had an argument back and forth for about an hour, and there was not a great deal of intention evidenced on the part of the railways to give us any reduction, and we left with that feeling.

Q You do not remember whether they told you the reason they could not reduce butter to the fifth class rate was that they would have to do that all over Canada?

A No, I believe we discussed that with them, and we asked them for a special arrangement oncarload lots from the Prairie Provinces, Manitoba, Saskatchewan and Alberta, to Toronto, Ontario, and Montreal, Quebec by fifth class.

Q Would that not suggest to you that shippers of butter from other points in Canada would have to have the same rate?

A I doubt if your transportation of butter in eastern Canada will amount to any great amount in any case. The majority of eastern Canada butter is handled by truck transportation, as I understand it.

Q I think you would be surprised how vocal a few

shippers are when it comes to a difference in rate. Then the next letter is that of June 17 to Mr. Flynn of the Association. It is signed by the Manitoba Dairy Association, the Saskatchewan Dairy Association, the Alberta Dairymen's Association, and the Western Canada Produce Association. In the middle of the first page of that letter there is this paragraph:

> "Butter is the cleanest and easiest commodity that can be handled by freight and compares favourably with other products having a lower classification, for example, lard which takes fifth class in carloads."

Was it your idea that because lard takes fifth class that butter should? Is that one of your contentions?

A We felt that lard is packed in similar size containers, and that butter is just as clean as lard.

Q Well, you would not suggest that because lard has the fifth class rate that butter should also, would you? Do you think that is a fair basis?

A Well, what we fail to grasp here is that when you haul a commodity and you put it in a car and it weighs so many pounds, if they are similar commodities they should have similar rates.

Q That principle extends to a comparison with salt because it appears on page 4 of your brief?

A Yes.

Q So that really what you are saying is that a commodity moving the same distance should have the same rate as another commodity regardless of the value of the commodity. Is that so?

A No, not altogether. I would say that the cost of transportation enters into it.

Q Let us assume that we have a car of salt moving between A and B.

A Yes.

Q Any mileage you like.

A Yes.

Q And you have got a car of butter moving between the same two points, and the same condition, the same actual cost of handling, salt at how much a pound, a cent a pound, would you say?

A I couldn't say.

Q Would it be two or three cents a pound?

A I believe it is more than that when you buy it in the retail stores, anyway.

Q Oh, yes, but I am talking of carload lots.

A You mean the flake salt that we use?

Q What you talked about here.

A A car of flake butter salt costs two cents a pound.

Q So that here we have a car of salt moving between points A and B worth two cents a pound, and a car of butter moving between points A and B, and which is worth 60 cents a pound?

A Yes.

Q You contend that because the cost of movement is the same the freight rate should be the same?

A I most certainly would say that if railroads can transport the same quantity from one place to another for $1 or 86 cents a hundred pounds they certainly should

not charge $2.54 a hundred pounds for transporting another commodity the same distance.

Q You know there are differences between different classes, and that the percentage relationship between classes varies by a very substantial amount, do you not?

A Well, they did not change when the price of commodities was down lower.

Q I am not talking about changes in the prices of the commodities. I am talking about value of the kind of commodity that is being transported.

A Even so, prices change value.

Q Oh, quite, but what I am suggesting to you is that salt at two cents a pound moving the same distance might not be able to move if it was charged a freight rate equal to the charge for butter or watches or something more valuable. You see the point, that the value of service enters into all freight rates?

A Yes.

Q And that the man who is shipping silk pays a lot more than the man who is shipping sand, and the man who is shipping wheat pays a lot less than the man who is shipping something very expensive?

A Of course, in some of these cases the volume of your product has a lot to do with it.

Q The volume of your product?

A Yes.

Q You mean in the cost of handling it?

A Yes.

Q Oh, that may be, but I am talking about the principle of carrying a commodity having a greater value.

You would agree with me, would you not, that butter can better afford to pay a freight charge at a higher level than salt, butter at 60 cents a pound?

A My thought is that there must be a cost of transportation established somewhere, and if a low price commodity must be priced low then it should be priced on the basis of the cost of transportation, not on the cost of the goods. If it costs you so much per ton mile to move certain products, and they are low priced commodities, my thought is that should be the basis of the freight rates.

THE CHAIRMAN: Mr. Evans, we must adjourn now.

. . . At 5.40 p.m. the Commission adjourned to meet at 10.30 a.m., Friday, June 3, 1949.